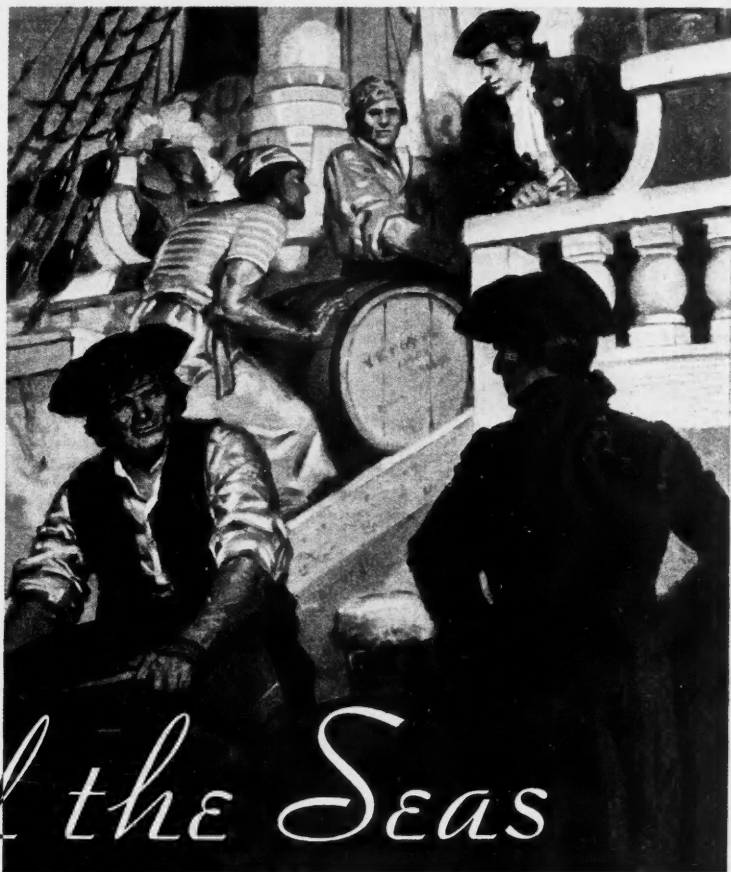


When PICKLED BEEF

Sailed the Seas



WHEN George Washington was a boy, Yankee sailing vessels, plying between New England and the West Indies, opened the first export markets for America's surplus meats.

It was a thrilling sight to American colonists when the first cargo of pickled beef and other meats sailed southward, bound for the far-off West Indies. Many on shore shook their heads, and doubted if any good could come of the venture.

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The above picture, "Shipping Pickled Beef to the West Indies," is taken from the Swift & Company 1935 Year Book. It is one of four illustrations in color which contrast methods of handling meats in olden days with those in use today. All are suitable for framing.

Articles of vital interest to meat users and livestock producers include "Livestock and Meat Prices," "Peculiarities of the Meat Industry," "How Purchasing Power Is Created," "The Taxation of Corporations," and "The Produce Business Must Be Flexible."

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CONTENTS

Vol. 57 No. 10

February 29, 1936

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THE TREND OF EVENTS.....	551
As I See It. By Charles Benedict.....	553
What's Ahead for the Market. By A. T. Miller.....	554
Happening in Washington. By E. K. T.....	556
European Psychology and the American Dollar. By Laurence Stern..	558
Why Manville Commands a Premium. By Ward Gates	561
Three Crowded Years. By Theodore M. Knappen	564
A Long and Short View of Aviation's Future. By S. L. Blackman....	566
Significant Foreign Events. By George Berkalew	568
Commodities on the Upward March. By C. S. Burton.....	570

SEMI-ANNUAL DIVIDEND FORECAST. Part III:

Petroleum	573
Aviation	575
Building	575
Merchandising	577
Miscellaneous	578

Opportunities for Preferreds. By Edwin A. Barnes	579
New York Central. By Pierce A. Fulton.....	580
For Profit and Income.....	582
T V A and the Utilities. By Francis C. Fullerton.....	584

Opportunities in Common Stocks Which Have Not Yet Discounted Possibilities:

Greyhound Corp.	586
Caterpillar Tractor Co.	586
Ludlum Steel Co.	587
Pullman, Inc.	587
Borg-Warner Corp.	588
Seaboard Oil Co. of Delaware.....	588

TAKING THE PULSE OF BUSINESS

The Magazine of Wall Street's Indicators. Business Indexes.	591
Common Stock Price Index	591

ANSWERS TO INQUIRIES

New York Stock Exchange Price Range of Active Stocks.....	594
Market Statistics	601
New York Curb Exchange	606
Over-The-Counter	608

Published and copyright by The Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Ralph J. Schoonmaker, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—\$7.50 a year in advance. Foreign \$8.50. Canadian \$8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVE — International News Co., Ltd., Brems Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.



WITH THE EDITORS



Are They Cheap?

THE governing committee of the New York Stock Exchange recently suspended trading in the common stock of the Pierce Oil Corp. This action was taken after active speculation in the issue, had attracted attention and after, upon inquiry by the Exchange, the president of the company had stated the stock was virtually worthless.

It is highly improbable that this incident forecasts any wholesale cleaning out of similarly worthless or doubtful stocks whose presence on the "Big Board" is a constant lure to foolish small-scale speculators attracted by \$1 or \$2 stocks because they can buy so much of them with a few hundred dollars. Naturally, the Exchange is reluctant to set itself up as appraiser of stock values or company prospects. It has not heretofore struck from its list

even stocks of companies in receivership unless it had a declaration from receiver or court that the stock was worthless. Moreover, there will be few instances like that of the Pierce Oil Corp. in which a company head is willing to state publicly that he considers the stock worthless.

It is to be hoped that some method can be found to clean out this troublesome minority of "cats and dogs" without hardship on any legitimate interest.

But meanwhile why should any speculator with even a modicum of common sense rush heedlessly into such issues merely because they are available at a low price and because there is no law or rule to protect him from his own folly? Nothing is more pathetically absurd than the illusion that you get a lot for your money when you buy a low price stock. The chances are that in so do-

ing you pay a much greater premium over the real value represented than you would do in buying a \$100 stock for the simple reason that many others are competing with you in the same illusion. On the other hand, stocks selling at higher prices are much more likely to reflect a consensus of intelligent opinion based largely on industrial and profit trends and prospects.

Nevertheless the lure is a strong one and some low price stocks do work out to the satisfaction of the speculator. When your eyes light up, however, at the thought of a 50 per cent profit when your \$10 stock goes up to \$15, don't forget that the percentage works both ways. The biggest profits in the market rise of the past year have been in stocks strongly supported by dynamic earnings improvement. Bank on earnings and you won't go far wrong.

In The Next Issue

New Trends in Earning Power

By WARD GATES

It Can Happen Here

Weakness in Leadership of Organized Labor
Threatens Us with Socialism

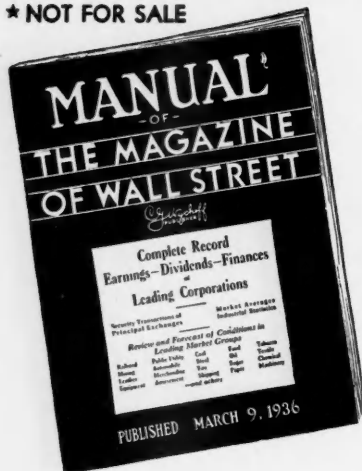
By P. T. SHELDRICK

How Much Can Be Expected from the Motors This Spring?

By GEORGE W. MATHIS

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**Factual
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To invest successfully in 1936 you must act on facts. Earnings, financial positions, and actual prospects will be more important to you then than at any time in recent years. To aid you in determining the facts about the various industries, and the situations of individual companies in these industries—

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Analysis of the Stock Market for 1935 with 1936 Outlook. By the Industrial and Security Experts of The Magazine of Wall Street.

- Comparison of earnings of all leading companies for several years past.
- New Stock Listings.
- Stock Market Prices 1934-1935.
- Over-the-Counter Prices.
- Curb Market Prices.

BONDS . . .

- Bond Market Prices for 1935.
- Analysis of Bond Market for 1935.
- Bond Financing
- Unlisted Bonds.
- Curb Bonds.

DOMESTIC TRADE AND BUSINESS . . .

Analysis of the Business Situation from the standpoint of recent events and prospective trend.

- Money and Finance.
- Commodities—Including Graphs, Indicating Price Trend.
- Record of Production of Leading Commodities and New Production Trend.
- New Industries.

SECURITIES . . .

3 Years' Earning Record—Present Financial Position. Illustrated with Charts and Tables

- | | | | |
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| —Public Utilities | —Leather | —Coal | —Tobacco |
| —Food and Packing | —Accessories | —Oil | —Radio and |
| —Chain Stores | —Textiles | —Tires | —Communications |
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Associate Editors

The Trend of Events

THE SUPREME TRIBUNAL

GOVERNOR LANDON recently remarked that the Supreme Court is the balance wheel of progress. The admirably calm, deliberate manner in which the TVA case was handled by this highest tribunal, untouched by impatient public clamor, will go far to entrench its already strong hold on the confidence and respect of the American people. The decision and the judicial processes behind it cut like a breath of fresh air through the murky fog of Congressional threats to limit the Court's powers. If there was any chance of those threats being carried out—which we have doubted—the chance now appears substantially lessened. In this respect even the public utilities can take some comfort in the outcome.

As to the decision itself, the legality of a particular phase of the TVA is one thing. The longer wisdom of vast Federal power projects which set the Government up in competition with tax-paying private industry is something else again. Quite another matter also is the question of appropriations to cover the great costs of such projects at a time when public opinion is increasingly concerned over lavish public spending. On these issues the final verdict will be handed down by the people themselves in the national election next November. Their opinion is the court of last resort.

RECOVERY SWEEPS ON

ONE by one the ramparts of depression give way as recovery sweeps forward. Industries that were stagnant throughout 1934 and into 1935—lagging far behind motors and consumption goods—begin to feel the breath of strong revival. Construction, vital to employment and heavy industry, turned the fateful corner last year. Now comes the dawn of a better day for the sorely buffeted railroads and makers of railroad equipment—last of the stricken giants of heavy industry to swing into line.

Freight is rolling over the rails, not, to be sure, in anything like prosperous volume, but nevertheless more than a year ago by considerable margin; and revenues are rising. On the results thus far this year it is likely the carriers will come close to covering fixed charges for the first quarter, as compared with a deficit of more than \$45,000,000 in the first quarter of last year.

Already long-deferred orders for locomotives, cars, rails and track accessories are beginning the upward movement that accompanies rising revenues, and such capital expenditures are running double to triple the rate of a year ago. This, with a start toward a strengthening of rail credit which portends still greater capital expenditures ahead, is by all odds the best news of this new year.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Eight Years of Service"—1936

WE GET NEUTRALIZED NEUTRALITY

THE best thing about the new neutrality law is that the President accepts it pacifically. He wanted more freedom of action and got less. His intentions were good, but Congress dares to differ, and the President "takes it lying down." While it is wholesome to see Congress resuming its functions, it is sad to contemplate our disappearance from the field of endeavor toward the promotion of peace. In effect, we are now putting a premium on aggression by powerful nations against weaker. Aggressor nations are not likely to need our goods to carry on, but withholding of them from the weaker non-aggressors may insure their defeat. More than that, we are practically saying to the world that as a peaceful nation we have no rights if other nations choose to muss up the world with their wars. This law is sure to be repealed if an emergency arises, but in doing so we will implicitly become a declared partisan.

BUSINESS FOREVER ON THE RACK

WHILE the Department of Justice is seeking to compel price competition Congress is trying to prevent it. In the Sugar Institute Case, now before the Supreme Court, the Attorney General seeks the abolition of open prices, while the Patman Bill (anti-chain stores) aims at uniform prices. Both Mr. Patman and the Sugar Institute strive to abolish discounts and rebates. The Government likes voluntary business codes for the protection of the little fellow and encourages business associations but its Department of Justice would abolish all their functions that tend toward price stabilization. A number of national associations have come into the case as "friends of the court" to urge that while the general purpose of the anti-trust laws is to encourage competition the destruction of such a body as the Sugar Institute would tend directly to the destruction of competition through encouraging the competitors to destroy competition by destroying each other. Meantime the Federal Trade Commission is working overtime to prevent competitors from devouring each other. Under Mr. Coolidge, the Attorney General approved the Institute open price plan; under Mr. Hoover it struck it down. Under N R A controlled prices were considered benevolent and socially beneficial, until the little fellows protested that they were restricted in price cutting. The big fellows thereupon got the whip and the little fellows hogged the business. The general situation in the business world today is that you are damned if you play fair and damned if you don't. Page Coordinator Berry. He may have a good idea, after all.

CONTROLLING SPECULATION

IN a public address Chairman Landis of the S E C deplors signs of active stock speculation and declares—rightly—that it is impossible to legislate speculation out of existence. The Reserve Board states the market rise

has been financed largely for cash and adds that through its power to control margin requirements it can prevent excessive use of credit. Neither statement gets to the heart of the present abnormal situation, which is that the Government's continuing inflation of bank credit is chiefly responsible for the threat of stock market inflation and that such an inflation can be financed for cash as long as Government credit furnishes the cash. You can not restrict credit to specified grooves. Let loose a flood of it for any purpose and much indirectly will find its way into stocks. Bank deposits have risen by some \$10,000,000,000 during the past two years and the chief cause of this has been the Government's deficit financing. This is money—bank money—that did not exist before. As the Government spends what it borrows, private deposits increase and out of them comes money for stocks. Perhaps one can say that we are engaged in a speculative credit expansion but not in an expansion of speculative credit!

LABOR TROUBLES

ONE of the curious inconsistencies of the times is that with millions still out of work hundreds of thousands are voluntarily depriving themselves of employment or are contemplating such a course. A minor explanation, which is not so valid as it was when the dole flourished, is that the Government makes no distinction between the worker who resolves himself out of a job by going on strike and the one who can't get a job. Another reason is that the leaders of organized labor feel, with much reason, that the New Deal is on their side, and that the time is ripe to whip up interest and increase union membership. Finally, strikes in increasing number are the usual accompaniment of recovery. One marked difference, however, between the situation now and that of a year or two ago is that harrassed employers then often welcomed a strike as a means of cutting unneeded production and reducing deficits to the bone. Under the present better business conditions employers are so fearful of strikes that to start one or even threaten one is often tantamount to winning it. Activity in the striking industry is as fruitful as the business of non-hog raising was under A A A. Strikers, like the non-hog raisers, find it profitable to refrain from producing wealth, but employers find no rewards in such abstention. While labor troubles are a sign of better times, their significance can be reversed. As an aside, it might be remarked that there are no strikes in Russia, which affords the supreme example of "capitalistic oppression" in respect of wages.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 554. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, February 24, 1936.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Eight Years of Service"—1936

As I See It ~ By Charles Benedict

Markets and Civilization

THE great problem of our social unrest that yet remains to be solved is that of distribution. Industry continues to make one conquest after another in production through the chemical laboratories, through mechanization, through efficiency methods. The genius of our leaders is concentrated on organization, on the development of new products which knows no limit. In the field of distribution there is a dearth of bright minds. The same hackneyed ideas and mediums are employed.

Fearful of change, a mass of imitators lag behind the few leaders who dare to follow original ideas suited to the vastly changed consumption possibilities and requirements brought about by the cataclysmic crisis from which we have been slowly recovering these last four years.

The giants of industry have constructed a high speed engine of production which has to be geared down to the snail's pace of a backward distribution system. Distribution has for a long time been haphazard, extravagant and confined in its scope. Today, for every dollar expended in manufacture, 85 cents is spent for distribution. And, no man can say whether or not this 85 cents is wisely or fairly utilized. Indeed, there is evidence on every hand that the methods employed do not suit the times, nor is there enough experimental work and constructive thought included in the plans by which the manufactured article is placed in the hands of the ultimate consumer. Increased appropriations for distribution are used merely to

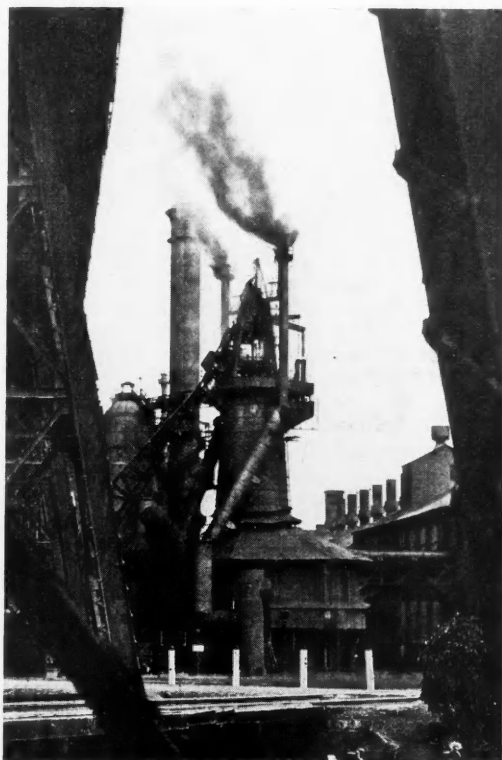
intensify the established sales plan, resulting in increasing the costs of distribution to the same customers. If, on the other hand, some of this appropriation for distribution were spent in experimental work, it would result in new avenues of approach and broader markets. The tremendous volume of sales in this country is possible in spite of expensive distribution rather than because of it.

It is regrettably true that business methods, insofar as they apply to distribution, show little or no advance over those of the late boom. It is forgotten that saturated markets, in which the same people were being sold and resold, contributed to the severity of the ensuing debacle. Prices may be lower in accordance with lower purchasing power, but new and wider markets have not yet been sought and

cultivated through a still lower price scale that would be possible with lower distributing costs.

The trouble seems to be that our business leaders are so engrossed with thoughts of discovering new processes, of building new plants, or creating new productive enterprises that they belittle and neglect the research, the development and new procedure by which a sounder distribution system can be achieved. Have they so quickly forgotten the huge surpluses which weighed on markets while millions of people were in want for the essentials of life? What greater indictment of our methods and cost of distribution could be found than the wilful destruction of foodstuffs

(Please turn to page 610)



Courtesy, Colorado Fuel & Iron Co.

What's Ahead for the Market?

By A. T. MILLER

THE stock market having taken the T V A decision in its stride and promptly forged ahead to new highs in various favored groups on broadly expanded trading activity, it is not possible to point to any predictable development capable of importantly shaking the prevailing widespread optimism.

The underlying business trend remains favorable and the bullish monetary factors long operative remain essentially unchanged. Nevertheless the character of the market today differs materially from that during the greater part of the persistent advance last year. There can be little question that growing speculation is tending to erect a basically weaker internal structure than existed at any time in 1935.

This is not reflected in brokers' loans, for buying remains largely on a cash basis. It is reflected, however, in increasingly active floor trading and a very pronounced increase of speculation in low-priced stocks. Until late last year brokers reported a large volume of odd-lot selling on the advance in which better informed buyers were taking large blocks of stock out of the market. Stocks were passing from weak to strong hands and the movement rested largely upon an investment foundation in that attention centered chiefly on earnings trends and prospects.

Today the odd-lot traders are enthusiastically back on the buying side, the floor traders rotate speculative leadership rapidly from one likely group to another, there is more and more buying of issues because they have not moved much or are still relatively low in dollar price, there is less and less attention to nearby earnings probabilities and trading activity thus far in the year totals more than three times the volume of the corresponding period a year ago. Indeed, we have seen the most active January-February period since 1929.

Optimism in the business trend and governmental inflation of bank credit tend increasingly to raise stock prices faster than either business activity or corporate profits are increasing, with the result that price-earnings ratios steadily become more attenuated.

So far as regards sound long-term investment holdings in common stocks, we see no reason to view the possible danger in this situation with concern. In short-term speculative operations, however, we believe it the part of wisdom to be on guard against a possible intermediate reversal, even though the timing of such a development is beyond forecast and even though the evidence of the past year suggests that some unfavor-

able external event may be necessary to precipitate anything more than nominal technical reaction.

Temporary reactions were produced last year by the N R A decision in May, European war fears in late September and early October and the collapse in world silver prices in November and early December. In contrast, the T V A decision, in which the New Deal won something and lost nothing, brought only a three-day reaction in the public utility group and no reaction in other groups. Indeed, it was immediately followed by a further strong upward surge in which the heavy steel, rail and the motor and accessory groups rotated speculative leadership.

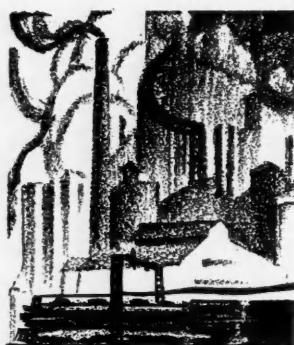
In the way of predictable developments that may reverse the short-term market trend there are to be considered such possibilities as disappointment in business activity and earnings, unfavorable political developments and withdrawal of foreign capital following a probable revaluation of the French franc.

It appears probable that any seriously unfavorable political development can be put out of mind, for with an election looming up there is obviously no inclination either on the part of the Administration or Congress to do anything that would "rock the boat" or disturb rising optimism. Indeed, there is scant probability that the bill for New Deal spending is going to be handed the income tax payers—personal and corporate—until after the election.

Revaluation of the French franc will not take place until some time after the French elections, to be held probably in late April or May. Thus, this possibility is not an immediate consideration, though anticipation of it during the next six weeks conceivably might induce some advance profit-taking on the part of intermediate traders.

This leaves the business prospect to be considered, and the chances of any material extension of the January-February recession already experienced seem to us to be remote. This relapse, which has carried our business index down 17 per cent from the December peak, but which leaves it 9 per cent higher than a year ago, has been due chiefly to the absence of the normal seasonal spurt in motor production and that, in turn, is to be accounted for, first, by the unseasonably high motor activity in the fourth quarter of last year following advance of two months in the time of introduction of the 1936 models; and, second, to the most severe winter weather over great areas of the country in many decades.

Motor production schedules at this writing are



Rising activity and increasing enthusiasm in low price stocks give the market a more speculative character. The possible dangers in this situation need not concern investors in sound stocks, but they do suggest the need for conservatism and close discrimination in short-swing speculation.

virtually on a day-to-day basis, with manufacturers experiencing great difficulty both in transportation of materials to the Detroit plants and in the movement of cars away from the plants, especially in the highway "haul-aways" used so largely by Chevrolet and Ford. Meanwhile the used-car situation, of course, has become still worse, as dealers find themselves choked with frozen cars on frozen parking lots throughout the Middle West and other frigid areas.

However, it won't be long now! In such industrial and trade activity as has been seriously retarded by the bad weather, March can be expected to "come in like a lion and go out like a lamb." Certainly by the end of March, the deferred upturn in motor production and sales should be in full swing, removing the present heaviest drag on the composite business index.

Meanwhile, of course, severe weather has distorted some of the business indexes on the favorable side. Thus for the latest reported week the electric power index equalled its previous record high, inflated at least in some measure by bad weather and consequent increased use of electricity for lighting and heating. Similarly, abnormally heavy shipments of coal account for the rise in railroad carloadings during the past three weeks. The traffic in some commodity groups, including less-than-car-load freight and miscellaneous merchandise has fallen below the year ago level. Under the prevailing conditions, of course, the movement of miscellaneous freight is a more realistic indicator of the

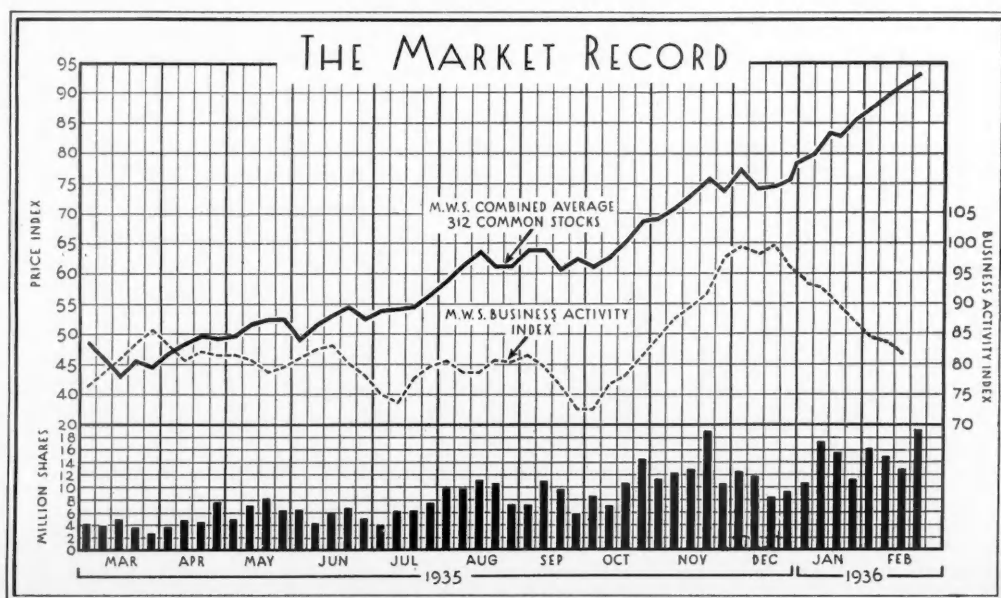
underlying business trend than a total freight movement distorted by heavy coal shipments and miscellaneous loadings for the latest week were down more than 13 per cent from the December high.

Meanwhile, in the absence of the desired support from the motor industry, steel operations show encouraging vitality, having risen a trifle to 53½ per cent of capacity in reflection on sharply higher buying of steel by the railroads and an upturn in orders for structural steel.

Indeed, the presently indicated trends of railroad capital expenditures and the volume of construction are two of the brightest spots in the spring business picture and, for that matter, in the outlook for the year. Long deferred recovery in these two still-depressed fields is going to be a most welcome 1936 addition to continuing satisfactory activity in the motor industry, in durable household equipment and in consumption goods generally.

In short, given the usual March break in the weather, it seems likely that business recession has ended, or virtually ended, and that a renewed forward march lies only a short distance ahead.

If there proves to be a period of temporary disappointment for over-optimistic speculators in the making, it will not be because of actual business developments in coming weeks but, more likely, because speculators tend increasingly to expect too much and overdo a good thing.



Happening in Washington

By E. K. T.

Revised budget is expected by some observers coincident with President's decision about amount (around \$500,000,000) of new taxes and kind—probably about half on food and half on other manufacturing. No taxation legislation is expected except to make up loss from elimination of processing taxes in order to meet new farm subsidies. Big fight over question of including enough to amortize additions to expenditures for bonus necessitated by full payment ten years ahead of calculations. Budget revision may be put off a little longer, but announcement of an "economy" revision at the same time the public gets the bad news about new levies this year is recommended as psychologically important—also opposed on same ground.

Substitute taxation will not include boosts in any kind of income taxation. Better adapted to post-election environment. Relatively innocuous for the Democrats if they win; pestiferous for "entrenched greed" if they lose.

Roosevelt victory would be followed by a boost in co-operation tax—forecast by some as raising the tax to 25 per cent with a rebate premium for higher wages, possibly in the form of profit sharing. Touted as a prosperity perpetuating measure, through reducing amount of national income available for capital accumulation. Idea is for nation as a whole to spend more and save less by preventing excessive withdrawals from the prompt conversion of production into consuming power.

Republicans, if they win, will simply have to increase revenues in order to carry out promises of a balanced budget. Economy alone will not suffice.

National budget will never again be under \$5,000,000,000, will be normally \$8,000,000,000, and balanced at that, by 1945.

Politics in pellets: Senator Vandenberg's epigram that the "third party" is here, in power, lights the way for a coalition against the interloper.—Also may point the road

Washington Sees—

Inflation—any kind—no chance in face of recovering business.

No income taxation this session—only excises to substitute for A A A processing levies.

Higher taxation will be "left to its friends, the Republicans" in case they should win.

Business rally continuing regardless of political campaign.

New Dealers infer from T V A decree final Public Utility victory and opponents fear it.

Revived financial heterodoxy of much for nothing—Townsend, Coughlin, Frazier—on the skids.

Agricultural Department admit that farmers paid the processing tax on hogs.

F H A home mortgage financing solved by R F C—building boom certain.

Fifty to a hundred millions a year for low-cost housing, regardless of economy.

Renovated budget, all dolled up for election show.

for desertion from the historic parties,—Borah protests that his record for party regularity is more than passable, but if Cleveland results are not to his liking he is almost as certain to take a walk as Al Smith is—Hoover's slashing, ridiculing Portland speech has again hoisted the hopes of his friends that lightning may strike him—"He is the prophet of the return from exile, and may be the leader."—Certain that Republican convention will not be a rubber stamp—Elder statesman and realistic younger aspirants, not the brass hats, will choose the nominees by counsel—Candidates are now on parade before a jury, not charging at the head of lusty partisans—Both old parties are courting the middle class: this nebulous category includes most Americans, and they are the real power: Republicans had major part

of them, lost a chunk of them, count on most of them returning with cheers—Paradox: most conservative part of the country, the South, is horse, foot and dragoons for the radical party—except Delaware, Maryland and West Virginia Republicans haven't a chance in the South.

Business viewed from Treasury—Nothing can stop recovery short of physical ruin at home or international eruption abroad—Politics will not even be a retardant.

Faith in the Republic has returned—In the words of Garfield (Sub-treasury steps, Wall Street, panic of 1873) "God is in his Heaven and the Government at Washington still lives."

New school of bank credit technologists is becoming vocal in Washington. One of the most conservative Roosevelt "authorities" is privately saying that abundant potential bank credit, under modern conditions, no more means inflation than does (or did) devaluation of the dollar—which was generally held by orthodox economists to mean high dollar prices. But a higher price level is still a Rooseveltian prosperity medicine. The new theory and the old purpose conspire to oppose Federal Reserve meddling with surplus reserves or using any other restrictive control at this time.

A cash-and-carry stock market boom is apparently not

worrying Mr. Eccles. He is suspected of holding to the theory that market speculation will infect business, taking there the form of "creative enterprise."

Expect nothing discouraging from the new Federal Reserve Board. It is not strong for preventive measures and will not act drastically until there are convincing evidences of abuse of bank credit. Doesn't oppose activity inspired by prodigious borrowing by a Government which has a mountainous borrowing task ahead of it. In the last analysis it will do nothing that is not sanctioned by the White House.

Administration is pressing for adjournment of Congress before other New Deal cases are decided by the Supreme Court. Of these, it is considered certain that the Court will nullify the Bituminous Coal "little N R A."—Chances about 60 to 40 against utilities law.—Administration is convinced that the Supreme Court is deeply imbedded in popular respect and reverence. And it is now reconciled to the N R A and A A A decisions. In the case of the latter it is getting something just as good politically and far less controversial—as all farmers can get a "cut"—and N R A was becoming a political liability before the Supreme Court executed it.

General Hugh Johnson last summer deprived Father Coughlin of his priestly halo in the monetary scene, and now Representative O'Connor has stripped him of his cassock. Father Coughlin, like Dr. Townsend, is on his way out of significance. Both these worthies appeared too soon for the good of their causes. They have passed the zenith of novelty. The more they declaim the faster they fade out. . . . Would you have known who "Coin" Harvey was but for his obituaries, extracted from the dusty files of newspaper morgues?

Republicans and Democrats have united in protective union against political secession of visionaries.

"My country, right or wrong"
—Every political and social attitude, from submissive pacifism to swaggering militarism, from encouragement to rebellion to suppression of free speech, can find foci of encouragement in the many-sided Roosevelt Administration. After one has talked with some of the Communists who hold that the United States is the only country in the world that is not entitled to defend itself from the enemy within it is like a whiff of militant patriotism from a more virile age to hear Secretary of War Dern openly and approvingly reaffirm the doctrine of Commodore Decatur. "My country; May it ever be right, but my country, right or wrong." Reports coming to Washington indicate that even in the colleges where patriotism has not been good form the boys are

for FEBRUARY 29, 1936



Wide World Photo

JUSTICE McREYNOLDS

Had the short end of the recent 8-to-1 decision

We are arming to the teeth, but doing nothing to abolish war.

A plausible silver Senator confounds conversational critics by stoutly asserting that silver certificates are the only "sound" money in actual or potential circulation. He pulls out samples of other paper money and asks you to try to convert them into something substantial, if you can. Of course, you can't. Then he brings forth a handful of glossy new silver dollars and some crisp new silver certificates and reminds you that they are interchangeable. "Try to get some gold dollars!" he challenges.

Our monetary fits have really led us to this, that silver is the only hard money you can get in a country that has \$10,000,000,000 of gold. Foreigners can get it, but not you. And yet it is that unattainable gold that gives the silver certificate and the silver dollar most of their claim to be worth a dollar—which they are. The gold that you can't pocket without going to jail is so potent that the mere fact that foreign governments and banks can get it—perhaps the identical bullion that was taken from your hoard—makes it worth here what it claims to be, although abroad it is worth only 59 per cent of what the dollar was once.



Wide World Photo

SECRETARY OF WAR DERN

"My country, right or wrong."

beginning to turn on the subversionists.

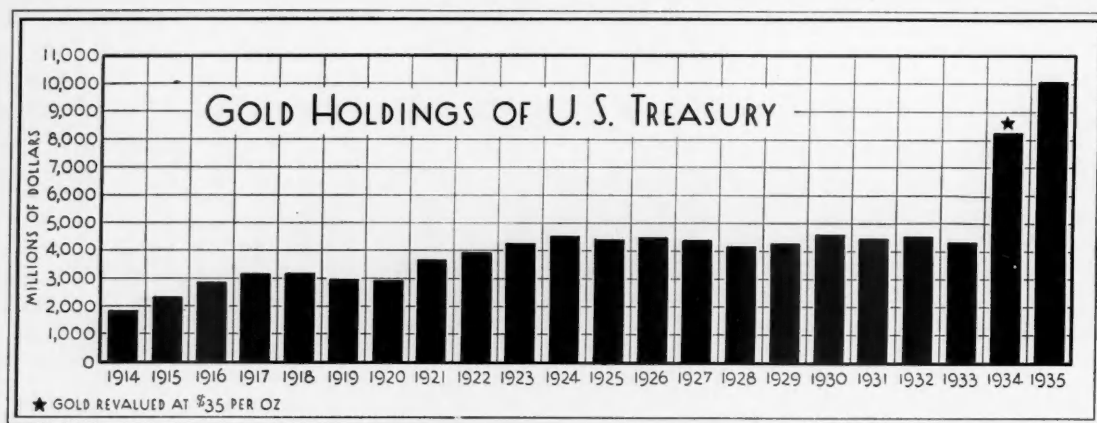
The problem of how to handle the Communists who are diligently working to overthrow this Government by means of an armed minority, a la Trotsky-Lenin, is becoming acute. Liberty of speech and freedom of thought must not be entrenched upon, but neither may the right of self-preservation be denied to the most free political organism in the world.

New neutrality law is a step in advance toward the neutrality of the ostrich who hides his head in the sand and imagines that he escapes danger thereby. Under the present law it is permissible for the President to decide whether or not we shall permit munitions to be exported to nations drawn into a war between nations to which the law already has been applied.

Now, if all the Fascist and Communist nations of the world were to gang up on the democratic nations we could not sell them a pistol or a pound of powder. Pacifism has got to the point of encouraging war.

Packers have always maintained that farmers paid the processing tax on pork—claimed that the hog raisers really were using part of their "benefits" from this tax to pay it. Department of Agriculture, through its Consumers Guide now admits this contention. A A A debacle is a double-barreled good thing

(Please turn to page 610)



European Psychology and the American Dollar

What's Behind Monetary Uncertainty and What Are the Prospects?

By LAURENCE STERN

MOST of us grew up with a conception of money as a fixed and immutable thing in a world of change.

Prices might go up or down but money was always the same, convertible into gold upon demand; and gold was not only the foundation of confidence in the currency and credit system but the automatic governor on the monetary mechanism, and as such its supply played a part in the longer sequences of price inflation or deflation.

To those steeped in the old tradition it is hard to accept the revolution which over the greater part of the world has made money a changeable and uncertain thing. Though the clamor against "monetary uncertainty" has lessened during the twenty-five months that our "streamlined dollar" has been moored to its present gold content, many still believe that full economic recovery awaits a return to the old gold standard.

But the world goes forward and not back. It is highly improbable that either the United States or Great Britain will ever return to the pre-war gold standard; and for an indefinite period of time ahead the best any realistic person can expect is some lessening in the present degree of fundamental monetary uncertainty, but hardly a resurrection of that dead-and-gone pre-war American conception of money as fixed and unchangeable.

The fact is that over the greater area of the world in

varying degrees money and credit today are being governmentally managed, with little or no automatic relation to gold; and in no country of the world does there exist any definite assurance of what the future gold content of the currency will be, if any.

Approximately half of the world is doing business today in the pound sterling, untied to gold and under the constant management of the British control, or in currencies pegged to sterling.

That the dollar in the broadest sense is a managed money, though tied to gold, is implicit in the fact that the President retains the delegated authority further to revalue it; and in the further fact that our Treasury's managers of the \$1,800,000,000 Stabilization Fund constantly stand guard over it.

Moreover the few countries which are left on the full gold standard at pre-depression parities—France, Holland and Switzerland—are undergoing such painful and relentless monetary deflation as to bring ever nearer inevitable revaluations.

In these uncertain and shifting seas what is the outlook for the dollar? Will Americans remain confident of it? Will Europeans grow afraid of it? Upon the answers to these questions depend a flight from the dollar or, as during the past two years, a flight of capital into the dollar. Either way the international movement of capital—extraordinarily

foot-loose and quick on the trigger in recent years—is of vital importance to us. It is possible for an outward movement at any time to have deflationary consequences upon us. It is possible for a further inward movement to encourage inflationary tendencies.

The Dollar Is the Best Bet

To begin with our uncertain dollar is at present the *least* uncertain major currency in the world, and is therefore the best bet. Whether it will remain the best international bet and for how long is something else again, and consideration of the influences that can or may affect its international status is the objective of this article.

Accordingly, let us consider the possible changes in our domestic situation that could alter international monetary relationships; then, second, possible significant changes abroad.

First, in the domestic outlook, we must list the possibility of currency inflation.

Second, the termination of our economic recovery or a belief by Europeans that our securities had adequately discounted all probable recovery.

Currency inflation would cause a flight from the dollar and a large outward movement of both foreign and domestic capital, but stock prices would rise and there would be no speculative shock until inflation ran its course. A termination of recovery would be preceded and accompanied by a gradual withdrawal of European capital temporarily harbored here, unless foreign uncertainties at the time exceeded those here, but at the worst such a gradual withdrawal would do no harm.

On the foreign side the major possibilities of change in the monetary outlook are, first, currency revaluation by France, followed by Holland.

Second, increasing fears of war and possible war itself.

Third—stretching the imagination a bit—a possible resolving of war clouds and a turn toward more stable European political trends.

All of the above are possibilities. Let us next consider

their probability and timing, taking them up in the same order.

First, there is increasing opinion among many objective students of finance—an opinion shared by this writer—that there is, so far as can be seen now, little likelihood of currency inflation in this country; nor is there any likelihood of further dollar revaluation unless additional serious depreciation of sterling should ultimately force it upon us.

The reason for this confident belief in the improbability of currency inflation is that there is neither reason nor excuse for it, that the Administration is obviously determined against it and that the progress of recovery steadily lessens the political influence of our inflationists in Congress.

That Europeans have no fear of either a *nearby* currency inflation here or further revaluation of the dollar is inescapably implied in the mere fact that upward of \$5,000,000,000 of foreign capital continues to repose in this country. Compared to this, the recent brief outward movement of gold, amounting to approximately \$20,000,000, was merely a speculative backward ripple in a vast tide.

But granting that there is no present fear of a currency inflation, what of the longer prospect? The heart of all uncertainty on this problem is, of course, the continuing heavy Federal deficit and the mounting Federal debt. Europeans well know that no government can borrow indefinitely, that there comes a time—if the process is not halted—when the necessity or the temptation to resort to the printing press is irresistible.

Federal Deficits

It is pertinent, therefore, to take a realistic look at this matter of Federal deficits and Federal debt, together with this country's debt-carrying capacity.

On the present evidence it is probable that the Federal debt by the end of the next fiscal year—June 30, 1937—will have reached \$35,000,000,000. Now the writer is not here making any defense of profligate political spending, nor do I argue for a moment that such a debt is a desirable thing. Moreover, since we are not used to a vast Federal debt in



this country, I readily concede that purely on psychological grounds such a debt may tend to lower confidence; but the practical reality of the actual burden is something else again, and there is no reason why a politically skilled Administration can not bring home to public opinion the strong points of our debt position as readily as opponents try to emphasize the weak points.

This prospective Federal debt of \$35,000,000,000 would amount to approximately \$273 per capita, as compared with the British Government's debt of \$717 per capita at the present time and with the French national debt of \$524 per capita. Moreover, the annual interest charge on our prospective debt some sixteen months hence will be approximately \$7.03 per capita, as compared with a present interest burden on the British Government's debt of \$21.74 per capita and a per capita charge of \$28.57 on the French national debt.

Thus the actual national debt burden here is not only far less than that in either Great Britain or France, but our ability to carry it is also much greater because of a substantially higher per capita national income.

Critics will answer that these calculations do not take into account some \$19,000,000,000 in present debts of our states, cities and other political sub-divisions of government. The answer is, first, that the calculations also leave out some sub-division debts in Great Britain and France—though not as large as here—and, second, that our sub-division public debt stands on its own feet, without direct relation to the credit of the Federal Government; and, third, even if we add this \$19,000,000,000 to the prospective \$35,000,000,000 Federal debt the per capita load would be only \$421, as compared with \$717 in England and \$524 in France, without including local public debts in the latter figures.

To carry the comparisons further, a \$50,000,000,000 Federal debt would involve a per capita load of \$390 in this country, against the present load of \$717 in England and \$524 in France. If we had a Federal debt of \$70,000,000,000—or double that in early prospect—and if we add the \$19,000,000,000 of local public debt to it—the per capita load would still be slightly less than that in England.

It is the writer's belief that long before any such astronomical debt figures are reached in this country there is the overwhelming probability that economic recovery or public opinion or both would put a halt to extraordinary governmental borrowing before an actual breaking point is reached. It need hardly be added, also, that per capita load is the only realistic way of considering public debt, for what would have been a crushing load on a population of 50,000,000 people years ago is not an unbearable load on a population of 128,000,000.

In short, if this point of view is correct, currency inflation here can be virtually counted out of the international monetary picture. On the other hand there is a strong probability of ultimate private credit expansion. Thus far this is almost entirely a governmental credit inflation, the major part

of the depression loss in business activity having been recovered with virtually no real expansion of private credit. Moreover it is valid to point out that this governmental credit inflation, whether ultimately sound or not, has in fact merely served as a substitute for the private credit expansion to which we were formerly accustomed in periods of recovery and that the total increase in banking liabilities that it has created does not yet equal the banking liabilities created by private credit expansion in the last period of prosperity. Since both governmental credit and private credit in the aggregate rest upon the earning power of the nation I discount the probability of any great excesses in present credit trends, nor do I believe any ruinous, inflationary price rise is

probable. The reason for the latter belief is that many factors, other than the monetary, enter into the question of price trends in commodities; that the productive facilities of this country are so vast and efficient as to preclude any shortage of goods and, finally, that the depression experience is much too recent for business men to forget it and indulge in wild expansion. Bearing on the latter point, it is interesting to note that in the Federal Reserve District of New York trade loans, acceptances and real estate loans reached a new depression low in February.

To sum up, then, currency inflation appears improbable; there will be further governmental credit inflation, and possible gradual expansion of private credit, without ruinous price rise—a trend which not only will give no fear to foreign capital but—other things being equal—will tend to draw more of it here.

Now in this view, which holds that fears of a destructive inflation have been exaggerated in many quarters, there is no intention whatever of contending that sound equity investments will not indefinitely continue to possess inherent advantages over fixed-income obligations. Many factors, including some in the monetary realm, are supporting a gradual uptrend of prices, a trend which tends to enhance business earnings and property values and correspondingly to lower the purchasing power derived from fixed incomes. Moreover, as long as any degree of doubt exists—whether justified by the realities or not—in our budget prospect and the ultimate gold value of the dollar equities in the minds of the prudent will command an edge over cash or fixed obligations.

As for the termination of our recovery, that is anyone's guess; but since it is still incomplete and such important laggards as construction and heavy equipment have just turned the corner it would appear that the basic movement should continue, subject to temporary interruptions, for an indefinite time and almost certainly for several years. Therefore—again with other things equal—there is no prospect on this score of any substantial impairment of the dollar's attraction to European investors and speculators.

Next we turn to the foreign scene, and the greatest immediate uncertainty here is the position of the French

(Please turn to page 607)

Net Imports of Gold to the United States

(In millions of dollars)

Gold Shipped from—	Four periods of largest gold movement				Entire period from Feb. 1, 1934, to Dec. 5, 1935*
	First period Feb. 9 to April 10, 1934	Second period Nov. 8, 1934, to Feb. 21, 1935	Third period April 5 to June 20, 1935	Fourth period Sept. 10 to Dec. 5, 1935	
England.....	376	146	2	151	778
France.....	127	152	347	471	1,097
Netherlands.....	74	42	118	58	324
India.....	15	42	3	39	154
Canada.....	20	31	17	27	172
All other.....	36	45	13	19	189
Total.....	648	457	501	766	2,704

* Includes net imports for dates not covered in selected periods shown, but excludes imports of gold acquired abroad by the United States Treasury prior to Feb. 1, 1934.

Why Manville Commands a Premium

Is the Combination of Coming Building Boom, Rising Sales Volume and Small Capitalization Fully Discounted?

By WARD GATES

IT is a good bet that within the next five years the construction of homes in this country will reach or exceed an annual volume of 500,000 units, five times the total of 1935, more than ten times the low figure of the depression.

That, rather than the prospect of a 75 per cent to 100 per cent gain this year, is the chief reason why the common stock of the Johns-Manville Corp. commands a current market price of 117—a price approximately fifty-two times its estimated 1935 earnings per share.

Now if the stock market is not completely cock-eyed it is forecasting a greater period of prosperity for Johns-Manville in the years ahead than it enjoyed in the boom of the gay '20s, for its peak price of $242\frac{3}{4}$ in 1929 was approximately thirty times that year's profit of \$8.08 per share.

There is, however, this vital difference: that in 1929 construction had already passed its peak and informed eyes saw storm signals in plenty, though the stock market did not; whereas at present building has barely started on a recovery which, barring an improbable national slump into new depression, will continue for an indefinite number of years on a rising plane. There is the further difference that, whereas there was an excess of housing in the late years of the boom, there exists today the greatest housing shortage in many years—net result of the virtual cessation of home building in the depression and an increase of probably more than 13,000,000 in our population since the building of homes started on its long decline in 1926.

Thus, from a long-range viewpoint, one hazards the opinion that the stock market is less goofy in appraising Manville today at fifty-two times current depressed earnings per share than it was in 1929 in pricing the equity at thirty times that year's earnings.

Of course, earnings per share and the construction prospect—however important—do not alone determine the prevailing price of Manville. There are such collateral factors as the relatively high prices of other good stocks, the pressure of surplus funds seeking promising investment almost regardless of current yield; the limited floating supply, what with only 750,000 shares outstanding and the controlling majority closely held; the absence of any incentive for large holders to liquidate; and, finally, the factor of investment prestige and sponsorship.

It happens that this is a "Morgan company" we are talking about, the firm of J. P. Morgan & Co. having purchased a controlling interest from the Manville family in 1927—400,000 shares at a price reported to have been between

\$50 and \$55 per share. In those days "Morgan sponsorship," in the eyes of a bullish stock market, was a magic wand; hence one more reason why Manville, in 1927, mounted to a high of $126\frac{1}{2}$, to 202 in 1928 and to $242\frac{3}{4}$ in 1929.

Yet when all is said and done about earnings, floating supply, sponsorship, etc., stock prices remain to a remarkable extent a state of mind. The 1929 market was a state of mind. The 1932 market was a state of mind. Under one state of mind, $242\frac{3}{4}$ for Manville;



View of J.M. Asbestos Mine in Quebec

under the 1932 state of mind, 10 for Manville and few takers. Somewhere in between there is reality. Today the reality of a radically improving prospect, plus another upward-cycle in the stock market's state of mind, explains 117 for Manville on 1935 earnings which we estimate at \$2.25 per share. Once more "Morgan sponsorship," all but forgotten in 1932, is a bull point.

No doubt this strange admixture of statistics and psycho-analysis will baffle the conservative investor who thinks any common stock should yield a current return of at least 3 or 4 per cent and who feels qualms in looking at any price much over fifteen or twenty times probable earnings per share for the coming year. In fact, without quibbling, let us say that Manville is not the stock for such an investor; but for the investor with a speculative instinct for profit—ah! That's different, and there is this much that you can put your finger on in our psycho-analysis: namely, that whenever conditions are in its favor—as at present—Manville commands and will continue to command a "premium" rating in the market. It can and may go lower in reaction, but until the next serious depression comes along we venture to predict that it will at no time "look cheap" on near-term earnings. This is to say that if the speculative investor buys it at a premium for longer retention the chances are that some time ahead he can likewise sell it at a premium.

So much for the stock. What of the enterprise itself? One can look at mines, factories, working capital, the list of products, management, etc., but for the purposes of this analysis management and products come first; and the story of Manville management is a long and checkered one.

The Manville Covering Co. set up in business in Milwaukee in 1880, founded by Charles B.

Manville, grandsire of most of the present generation of Manvilles. In 1901 it took over the H. W. Johns Manufacturing Co. of New

York, makers of roofing and paints, a concern originally launched in 1858. For the next twenty-four years, Thomas F. Manville, son of the founder of the Manville fortune, ran the combined enterprise in virtually a one-man performance, increased the list of products to more than 2,000—including many items unrelated either to asbestos or asphalt—swelled sales to \$40,000,000 a year and built the family fortune still higher.

Thomas F. Manville died suddenly in 1925, leaving much money but also a family problem. His younger brother, Hiram E. Manville, became president of the concern, but without assurance of control because T. F. Manville, Jr., and Lorraine Manville Gould, son and daughter of Thomas F. Manville, had each inherited large blocks of stock and a third large block had been bequeathed to Johns-Manville employees.

President Hiram E. Manville put on his thinking cap, decided he didn't wish to try to step into the shoes of his late brother and that new blood was needed to insure good management and centralized control. Hence, he bought the holdings of T. F. Manville, Jr., bought up various smaller blocks of stock from employees and went into a huddle with Thomas W. Lamont of Morgan's. From this the Morgan firm emerged with 400,000 shares of stock, took over the management and Hiram E. Manville, still the largest individual stockholder, assumed a relatively innocuous position as chairman of the executive committee.

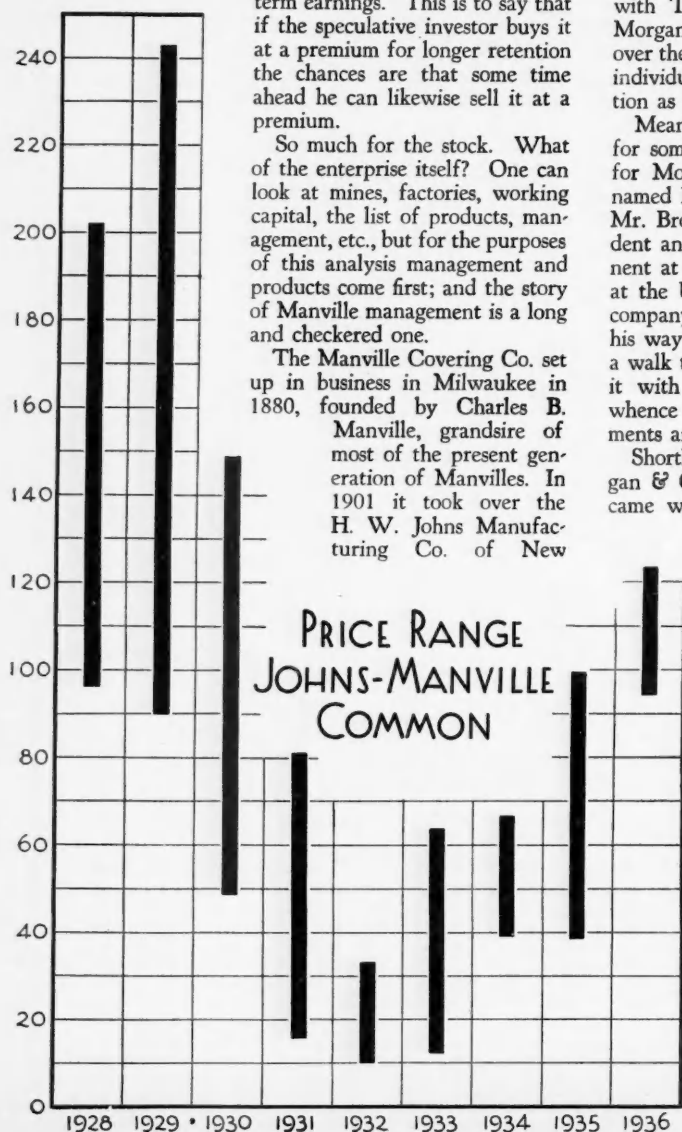
Meanwhile, out in Chicago, Theodore F. Merseles had for some time been doing things with Montgomery Ward for Morgan & Co., and Merseles had a young assistant named Lewis H. Brown. Since the affable, tactful, capable Mr. Brown—large, dark, broad-shouldered—is today president and chief directing head of Johns-Manville it is pertinent at this point to note briefly his history—a law course at the University of Iowa, a job with a corrugated paper company, an acting captain in the army in France, then on his way home with a few hours to kill in Chicago he took a walk through the Montgomery Ward premises and ended it with a job in that company's personnel department, whence he hoisted himself through various other departments and gained the attention of President Merseles.

Shortly after purchasing control of Johns-Manville, Morgan & Co. made Merseles president and Assistant Brown came with him. Merseles spent two years in expanding his new baby on one end by buying up several additional insulation companies—most of them making insulation for which asbestos was not suited—and in contracting it at the other end by cutting the list of products from 2,000 to 1,400, throwing out motor horns, fire extinguishers and various other curiosities, paints having earlier been discarded.

Mr. Merseles died suddenly of heart disease early in 1929. Building had already started to slide and probably Morgan & Co. knew it. Assistant Brown, then aged thirty-five, inherited the Merseles job, the depression and an organization of veteran department heads not overly confident of or cordial to the young newcomer.

What Morgan & Co. thought of him then is not of our knowledge. Possibly they had no one else available or possibly they were willing to accept Mr. Merseles' indicated appraisal of him or possibly they thought that not much could be expected immediately from their investment, with building heading into eclipse, and that, therefore, he probably would do as well as anybody else.

Suffice it to say that President Brown entrenched himself with an excellent depression



record. He cut costs to the bone—so effectively that by 1933 the company was able to make a slight profit on sales which amounted to only \$21,232,000, whereas on sales of \$20,409,000 in 1932 it had lost \$2,680,000.

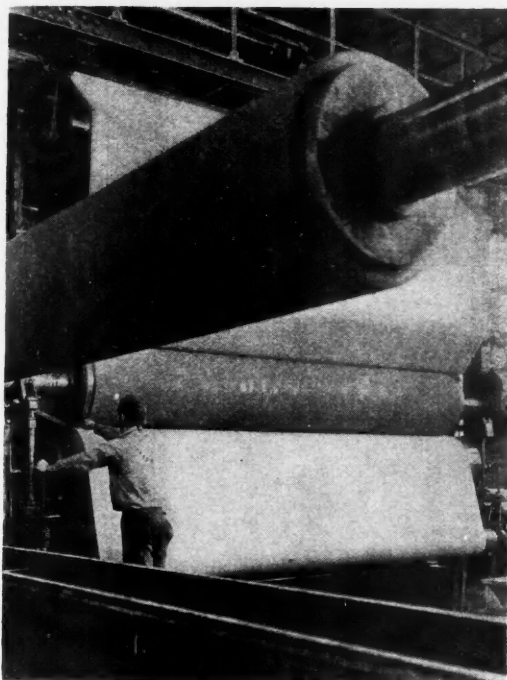
With the "pay point" cut to a sales volume of approximately \$21,000,000, it followed that any recovery would quickly swell profits on the small stock capitalization. Sales in 1934 increased to \$27,300,000 or by slightly more than 28 per cent over the 1933 volume, while net earnings jumped from \$105,331 to \$749,803.

For the first nine months of 1935 sales were \$23,614,000, a gain of slightly more than 27 per cent over the corresponding period of 1934, but profits expanded to \$1,573,040 against \$586,554 for the first nine months of the preceding year, or to \$1.57 per common share against 26 cents. While the annual report has not yet been issued, we estimate 1935 sales at between \$34,000,000 and \$35,000,000 and profit at approximately \$1,700,000 or around \$2.25 per share, as compared with \$749,803, or 30 cents a share, in 1934.

If the above figures are approximately correct, the profit margin on 1935 sales will have been around 6 per cent, against 2.7 per cent on 1934 sales of \$27,300,000 and only 1.7 per cent on 1931 sales of \$33,481,000, volume in the latter year having been only a trifle less than estimated volume of 1935. In the peak year 1929 the profit margin was 10.6 per cent on sales of \$61,994,855.

Thus it can be said that Johns-Manville is more than half way back to the 1929 sales volume, though the total volume of construction in 1935 was only a bit more than one-third of the 1929 figure. This relatively strong sales showing reflects in part an enlarged share of the available market but also the fact the company is not entirely dependent on construction, many of its products going into industrial uses and thus participating in general business recovery.

The chief Johns-Manville raw materials are asbestos, which is taken from its own mines in Canada, magnesia, cement, diatomaceous silica, silicon rock and asphalt, the last named being purchased. Silicon rock through a relatively simple process becomes rock wool, widely and increasingly used for building insulation. In the majority of the 1,400 Johns-Manville products some asbestos enters, often in combination with magnesia. A combination of 85 per cent magnesia and



Building up pipe walls for J-M Transite Pressure Pipe in Waukegan, Ill., plant

15 per cent asbestos is standard insulation for boilers, steam pipes, etc. Valuable deposits of diatomaceous earth—trade name "Celite"—are owned in California and from this material is manufactured insulation for very high temperatures. Rock wool and rock cork made from the same material are chiefly insulators against low temperatures. The various insulations marketed afford protection over a temperature range from 40 degrees below zero to 2,500 degrees Fahrenheit.

Other products include asbestos and asphalt shingles, waterproofings, stove and ice box linings, built-up roofings, floorings, refractories, gaskets, packings, brake linings and friction materials, sound-proofing materials and "Transite" panels of compressed cement-asbestos which, readily locked together, can be used for outside or inside walls, partitions or ceilings.

While Johns-Manville does not make public any breakdown of sales, it is reported that from 25 to 30 per cent of its business is in insulations, 25 per cent in roofings, 5 or 10 per cent in brake linings, with the balance in hundreds of lesser products.

Because of its cost, asbestos roofings are not widely used and in asphalt roofings there is sharp competition and profit margins are understood to be low. In the highly competitive field of brake linings the company is also a "runner up." In insulations, however, its position is a dominant one and profit margins are believed to be favorable.

The studies of the company's elaborate research and marketing organization have shown beyond a shadow of doubt that there are good days ahead in building, just as seven years ago they showed inevitable collapse. It is banking, conservatively, on erection of at least 150,000 to 175,000 homes this year, and a rise to 500,000 a year within four or five years.

Acting on this belief it will spend \$1,500,000 this year enlarging and improving manufacturing facilities, following similar expenditures of \$1,000,000 in the last ten months of 1935. A new \$750,000 roofing plant will be erected this year at New Orleans and other capital expenditures will be made on the Waukegan, Ill., and Manville, N. J., plants and on the asbestos properties at Asbestos, Quebec.

For sales promotion the company after two years of preparation has recently launched a "housing guild system" which will co-ordinate activities of the (Please turn to page 601)

Eleven-Year Statistical Record

	Sales	Working Capital	Reserve Accrual Per Share	Net Profit Per Share
1925	\$39,201,000	\$10,961,000	\$.66	\$4.66
1926	45,042,000	12,450,000	.89	4.57
1927	44,313,000	14,316,000	1.87	4.78
1928	47,945,000	12,124,000	1.67	6.75
1929	61,995,000	11,790,000	2.48	8.08
1930	49,492,000	11,420,000	2.68	3.66
1931	33,481,000	10,660,000	2.55	.08
1932	20,409,000	9,038,000	2.43	def
1933	21,232,000	9,581,000	2.18	def
1934	27,300,000	10,779,000	2.37	.30
1935	34,000,000 (Est.)	NF	NF	2.25 (Est.)

NF—Not available.



Acme Photo

1933—The Inaugural Address

THOSE who are opposed to so much of what the President is doing find it hard to believe at times that there is any sanity left in the American public world, and it is easy for us to lash ourselves into a fury of unrestrained denunciation and depreciation of anything and everything that has been done or attempted in these turbulent days.

On the other hand, stand millions who ardently believe that in a supreme crisis the nation has been blessed with a noble leader who has been victorious in the combat with material misery and business recession and for restoration of popular government, who yet finds himself contemned by those he has saved.

Let us, therefore, examine objectively and tolerantly the three years of Roosevelt rule which will come to a close next Wednesday, March 4. Let us be judge and jury instead of contending litigants. "Let us look at the record" judicially.

President Roosevelt was sworn into office when the economic foundations of the Republic seemed to be quaking. His first duty—even above the Constitution—was to save the nation. A nation may exist without an unscathed constitution, but a constitution preserved and a nation lost do not make sense.

True as that is, it is to be urged on the other side that the President who took the world's most potent reins of democratic power in March, 1933, may be indicted for bringing on the peril he was to fight. Newton and Myers have made a good case for their contention that the non-co-operative attitude of the President-elect with the President *de facto* between November, 1932, and March, 1933, stirred up the witches' broth of February, 1933, and brought on the crisis, from which the nation could be rescued only by the most heroic measures swiftly taken. But whatever its origins the crisis was here beyond all doubt at noon March 4, 1933. The nation was thrilled by the new President's demand for action—and the alacrity with which Congress turned out 83 public acts in its throbbing "99 days."

Three Crowded Years

A Scrutiny of the Record of the Roosevelt Administration

By THEODORE M. KNAPPEN

The law mill continued to run at record speed and capacity until the end of the third Roosevelt session—with a total of 900 approved *public acts*, many such joint resolutions, and 15,000 "administrative" decrees.

On the third day of his term the President declared a universal bank holiday and closed every bank in the country—some of them forever. This was an extra-constitutional act which was immediately ratified by Congress when it met in extraordinary session on March 9. The President's energetic and decisive course was hailed with popular approval and even elation. The same act of Congress provided for the reopening of Federal Reserve member banks under the authority of the Secretary of the Treasury, the nationalization of all gold—later to become expropriation of values in exchange for legal tender paper money, and welcome help for banks from the R F C through the purchase of their preferred stock. These provisions met with popular approval at the time, although the ensuing suspension of the gold standard soon encountered outspoken criticism, and many economists hold that this action was both unnecessary and unwise, and in the end aggravated the depression.

In any event they opened the door to an erratic and fickle monetary policy. On May 12 the Administration accepted the Thomas Amendment—a hodge-podge of free silver, free paper and free bonds—as a rider on the Agricultural Adjustment Act. This rider was hotly opposed and Administration leaders in Congress protested that the President had no intention of resorting to any part of it. It was a grave error and is responsible for much of the loss of confidence in the Administration's monetary policies—(recall "sound and adequate currency" pledge of the Inaugural Address) which has persisted even to the present.

The fallacious idea of a dollar of fixed purchasing power (commodity dollar) soon developed in the White House. It was followed by the Gold Clause Repudiation Act, which added to lack of confidence; and by the Banking Act of June 16, 1933, which, among other things, introduced the insurance of bank deposits. The immediate effects of this Act were reassuring, although the principal of deposit insurance was widely criticized.

The Roosevelt Era

An Incredible Interlude of American History

High idealism, sordid realism—profligacy, parsimony—wild cat money delusions, sound money—protection and reduction of tariff—sustenance of the dependent and destruction of their food—dreams of abundance, restriction of wealth—employment creating unemployment—quest of less work and more pay—inspiring leadership and petty politics—altruism and selfishness—reckless borrowing and sound public credit—high spending and low taxing—curtailing crops and importing food—subsidizing other crops and sacrificing their markets—decrying business and living on it—inspiring millions and embittering others—spurning the Constitution and states' rights, yet adored by the ancient friends of both—devoted to planned economy and planning nothing—running away from prosperity and overtaking it!

At this time the President became enamored of international monetary stabilization, and was instrumental in calling the London Economic Conference, which failed so dismally and to much cynical applause. Immediately following came the rash experiment of the controlled dollar, based on the ideas of Professor Warren concerning the relation between gold prices and commodity prices. This proved to be a capital error, after a period of endeavoring to raise prices by gold purchases at arbitrary rates, it was followed by the Gold Reserve Act, which restored the United States to a sort of international gold bullion standard. Immediately the President, exercising also authority conferred by the Thomas Amendment, then fixed the gold content of the dollar at 59.06 per cent of its previous weight and used his authority under the Gold Reserve Act to stabilize the dollar at that point. The Government took title to all of the gold in the Reserve Banks, and absorbed the "profit" resulting from the new weight of the dollar. In the face of what had already been done, the Gold Reserve Act was considered logical, but it was soon evident that the dollar had been undervalued, and this fact (and the President's power to make further changes with gold content) has contributed to both domestic and international monetary instability and is largely responsible for the abnormal rush of gold into the United States.

The Pittman Silver Purchase Act of June 19, 1934, climaxed the monetary heterodoxies of the Administration. Its effects have been almost entirely evil and have contributed to the inflationary mania. It was the product of petty politics, and has caused great confusion in China and elsewhere. It resulted in export trade losses, weakened confidence in the dollar and shook faith in the Administration's belated conversion to sound monetary policies. The revision of the Federal Reserve Act in 1935 has made the Reserve system, for weal or for woe, a department of the Federal Government. Bank credit is now almost as much a Federal function as the issuance of money. Outside of Germany, Italy and Russia, no other country has gone so far in the political domination of central banking.

Contrary to the President's promises and the platform on which he was elected, the fiscal policies of the Administration soon turned away

from the promptly adopted Economy Act of March 20, 1933, and ever since, in fact if not always in design, has moved in the direction of expenditure of public funds on a scale hitherto unknown in the world. Although there have been several measures for increase of taxation and the revenues have tremendously increased, expenditures have so surpassed them that the national debt will soon be \$18,000,000,000 greater than in March, 1933. Chronic, increasing deficits have tempted to currency inflation, created an alarming potentiality for bank credit excesses and have already resulted in a degree of inflation arising from the mountain of government obligations financed by the banks.

Closely related to fiscal and monetary policies and acts are the measures for relief and recovery. The first of these acts was a direct relief act, in which was born the Emergency Conservation Work (C C C) then and now almost unanimously approved. Next came the Agricultural Readjustment Act, recently scrapped by the Supreme Court in respect of its major function—direct control of agricultural production and the payment of benefits to farmers. It was supplemented later by specific cotton, tobacco and potato production control acts—recently repealed.

Agricultural adjustment met with general favor at first and has continued popular with the farmers. It undoubtedly contributed powerfully to the rehabilitation of farm economy and indirectly to the general recovery. It has had, however, the effect of curtailing agricultural exports, increasing such imports, reducing employment and swelling the rural relief rolls, to say nothing of the effect on farmer self-reliance and increasing food prices—in some instances through the destruction of supplies and the prevention of production. The A A Act carried legislation which has resulted in an increase of farm loans by \$1,500,000,000 Farm Credit Administration and in reduction of farm mortgages, principal and interest. This feature unquestionably has had the effect of encouraging farmers and restoring their morale, and has been something of a check on the sentiment in favor of seeking agricultural relief through the greenback money route.

The Federal Emergency Relief Administration (eventually)
(Please turn to page 602)



Wide World Photo

1936—The Jackson Day Message



Latest 1936 Transport—Cyclone-Powered Douglas 16-Passenger Sleeper

A Long and Short View of Aviation's Future

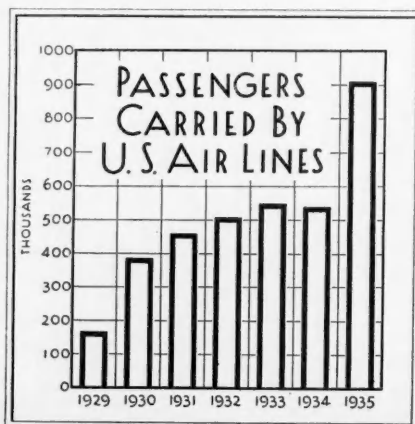
Great Potentialities—Grave Political Obstacles—What Are the Profit Prospects?

By S. L. BLACKMAN

AIRCRAFT stocks have been going up again, soaring on the warm, ascending currents of popularity. Have they something more substantial than warm air to keep them up, or will they go just so high and then fall off in a dizzy spin? In other words what's behind the enthusiastic appraisals of future earnings and dividends—appraisals which must be termed generous even in these days when price earnings ratios are increasingly tenuous.

First and foremost among the many reasons for the recent upward surge is the incessant threat of war in Europe and Asia. The supreme position of aircraft in Europe's rearmament program for one reason or another inspires confidence that there shall be a similar program here. Some heartening orders have been placed by the Army and Navy in recent months. There has been much comment about the lack of equipment and the immediate need for it. The Army wants to buy 800 new planes

by June 30, 1937, and Congress shows an inclination to give it more than 500. With engines, accessories and parts the Army may spend \$45,000,000 on aircraft equipment during the fiscal year 1937. The Navy wants 333 new planes involving an outlay of \$22,000,000. Right there is a total of \$67,000,000 for air force equipment. Of course it is inspiring.



Then there are the new machines which have been appearing in public, to create enthusiasm, big transports faster than ever before, luxurious in appointments and interesting to look at, their all metal exteriors glistening—new, remarkably efficient and showing every sign of being exceptionally durable and long-lived. Sleeper planes are coming out to take their places on the air lines, promising to hurl their occupants across the continent with one stop in a single night. All that connotes progress, and if anything is required to inspire faith in the future, it is progress.

An air line across the Pacific

became a reality in 1935. A similar service across the Atlantic will be established in 1937. Ocean-going flying boats are no longer a dream. They really exist. On the Pacific Coast a manufacturer is expanding his plant as rapidly as he can put up the buildings. There is a shortage of labor in the Los Angeles sector. The plants are bidding for skilled artisans to come in and make airplanes, for the simple reason that an extraordinary number of plants have been located in that region and they happen now to be doing the bulk of the business. No other plant in the country is afflicted with too much business.

And there is a general improvement in business conditions. Aviation is constantly in the news. General Motors is still interested in aviation. Cord is in aviation; and recently Henry Ford has begun to play around with another "flivver" airplane engine. World records go tumbling overnight. No sooner is one made than somebody comes up and breaks it. Transcontinental speed time has fallen to about 10 hours, and people are probably beginning to wonder why it cannot be done next year in nothing flat. Speed is always fascinating, and speed with wings is the last word in romance. There is thus a combination of favorable developments and sheer glamor as dual motive power behind most issues. Sometimes the latter force appears the stronger of the two. But before being carried away by it the prudent stock buyer will closely appraise a few other factors that must for the present keep the aircraft industry in the "long pull" rather than in the quick profit category.

War talk in Europe and Asia is one of the popular reasons behind the expectation of further upward flights of the aircraft stocks. War in Europe or Asia, however, would not be as beneficial to all phases of American aviation as commonly believed.

The foreign nations at war might desire to buy our aviation products as they did at the outbreak of the World War in 1914; and as they did then, they will want to buy raw materials, instruments, engines and spare parts. They will not buy completed airplanes—for three reasons. We shall probably be prohibited by law from selling to belligerents, as our aircraft people now are prohibited from selling to either Italy or Ethiopia, although other nations are selling to one or the other. Two, foreigners dare not order profitable quantities of aircraft products from us for fear that the American Government will prevent shipments or at least prevent shipping spare parts and replacements necessary to maintain the machines in active service. Three, the foreigners dare not place their air force destiny in the hands of others; it is too vital. They are building up their own industries, storing their own raw materials, piling up huge reserves of equipment, in many instances even today so huge that they must be stored in the open air. There is not enough warehouse space to shelter the machines now pouring out of Europe's aircraft plants.

Well, let us assume that the American industry can still sell to non-belligerents, to South America, for example. At the present time Germany is starting a sales campaign in

South America, selling her last year's Junker transport planes so far below the cost of production that none can compete with her; that is none except Great Britain, France, Italy, Russia and Japan. They, too, are making ready to dispose of their obsolete equipment. So rapid is the air force development, the technical improvement being made in equipment that only the latest and fastest and best-performing machine can remain in front line service. Old equipment is useless. The foreigners do not want it around. They ship abroad, not only to get it out of the way but to exchange it for things that the customers have to sell and which they want. Incidentally that builds up a good market for the future, this exchange of aircraft and accessories for the foods and raw materials produced by the non-industrial nations of the earth.

It leaves the United States up against competition that precludes much of the opportunity for profits in that quarter. And where the American industry might be able to sell its products abroad in paying quantities the Government here has done everything possible to prevent it. One official investigation after another, inspired by aliens in some instances, by demagogues in other cases and by pacifists in others—each has contributed to alarm the foreign customers, when it has not actually prevented their buying aircraft here. In 1934 American sales of aircraft abroad aggregated more than those of Great Britain, France and Italy combined. Aircraft sales to foreign buyers took nearly 40 per cent of the total American production that year. In 1935 Great Britain sold more airplanes abroad than did the United States. Her foreign business during the first 10 months of 1935 was more than that of the United States during the entire year.

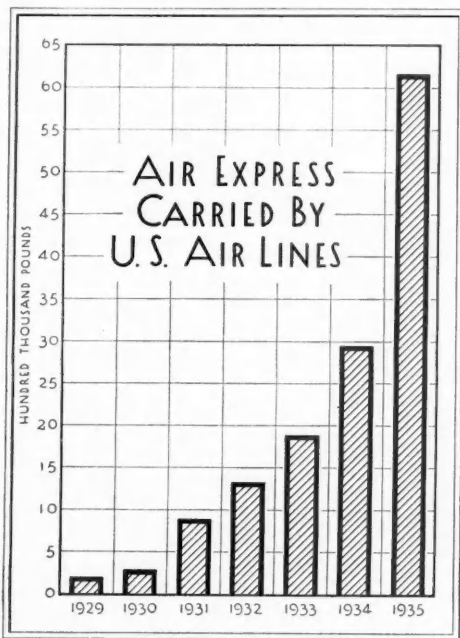
All of this points to the fact that "Government" is still the big unknown factor which holds sway in the nearby destiny of aviation. Will it nurture this first line of defense or condemn it to extinction by legislation, regulation or competition.

In 1934 Congress passed the

Vinson-Trammell Act providing that aircraft purchases by the Navy should limit the manufacturers to ten per cent profit. That meant that a plant receiving a small order for Navy equipment could rush it through in three months or six, take a profit of ten per cent and spend the rest of the year, or even two years as has been the case, waiting for another order, meanwhile maintaining engineering staff, skilled personnel and full plant equipment, at the same time trying to prove to the stockholders that the ten per cent was not to be translated into dividends because it, and vastly more, was required to keep the organization in readiness for more business on the same basis.

A number of manufacturers have been spurning that kind of business, neglecting to enter competitions and make bids which they know beforehand will provide them with a net loss at the end of the year. Volumes of evidence have been taken by Congressional committees charged with the national defense, volumes showing that the aircraft industry cannot survive unless it has continuity of orders

(Please turn to page 602)



Significant Foreign Events

By GEORGE BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

Italy—War, the Mother of Useless Invention

In forming an idea of the present economic condition of Italy, it is necessary to rely almost entirely on visual observation, since the publication of all statistical data was cut off by the sanctions last October. So far as one can see the repercussions of present sanctions are felt at certain points of stress only—particularly in the ports and industrial centers requiring foreign raw material supplies. In the large urban centers such as Rome and Naples, superficially life goes on without noticeable change. This is because heavy war stocks, accumulated systematically during the last few years, together with Government control of prices, have so far prevented any serious hardship to the population.

In order to provide adequate supplies of consumer goods, great attention is being devoted to the development of substitutes. Thus, for example, wool is being manufactured from casein; sugar from wood-pulp. Twenty-five million lire are to be devoted to the development of the sulphur industry; more money to research in the utilization of liquid fuel; and to the perfection of new processes in chemical and textile manufacture. Geological surveys are conducted to estimate the value of phosphate areas in Tripoli—of lignite fields near Tarhuna. For nickel, Italy has depended entirely on foreign sources of supply; but nickel ore is to be found in Piedmont in quantities which, under normal conditions, proved unprofitable for mining. A Turin company, however, has undertaken to renew operations on these abandoned mines. The cost of these undertakings is likely to prove excessive in proportion to doubtful economic returns from exploitation. Mussolini must count the cost, both monetary and political, especially as the sanctions screws tighten.

Hitler's policy of enforcing the consumption of substitute products in Germany ignited revolutionary sparks. Likewise, Mussolini may find that wood-pulp sugar and casein wool may do much to dampen the fervour of Italian Fascism.

* * *

Russia—Dyes Her Own Red Bunting

The past year witnessed a 50 per cent improvement in American trade with Russia—\$12,000,000 of exports to the Soviets for the first ten months of 1934, as against \$18,300,000 for the same period of 1935. This advance



Wide World Photo

Archduke Otto of Austria

in our sales abroad was compensated by Russian exports to the United States of \$14,640,000 from January to October, 1935, compared to \$9,800,000 in 1934. Russia was one of our first-ranking customers and a not inconsiderable field for investment under the Tsarist regime. Although our relations can never exactly resemble those of the pre-war era, Russia has abandoned her political star-gazing and is now concentrating more and more on legitimate commercial intercourse. Our trade with the Soviets can never revert to the same channels as before; not because of the political regime established in the Kremlin; not because American investment is no longer solicited, but because the industrial face of Russia has been totally transfigured since the beginning of the first Five-Year Plan.

The multiple mistakes made not only in the first, but in the second five-year period have, during the past two years, in the majority of instances been recognized. Puerile communism has learned by experience, but in the many activities in which the more mature Russia of today has made the most striking advance in industrial development is in the chemical field. Whereas formerly the United States shipped basic chemicals, fertilizers or related products to supply the infant industries and to nourish the vast wheat areas of Imperial Russia, this import need has been almost entirely cut off by a self-contained chemical industry.

Indirectly manufacturers in the United States have profited by this aspect of Russian industrialization through the shipment of machinery and equipment for installation in the new Soviet plants—in certain categories exports increased by 100 per cent. between 1932 and 1933, and by approximately 66 per cent. between 1933 and 1934. In the new fields of industrial development, the production of dyes has been the most notable. Before 1917 Russia depended on direct imports from France, America and Germany for her dyestuff requirements, but even at this period the National City Bank held substantial investments for the development of ultramarine production in Russia. Today State-owned U.S.S.R. plants are making their own colors and varnishes with output increased 350 per cent. as compared to 1928. Similarly, aniline dye works in which about one-hundred million roubles have been invested have increased production by over 150 per cent.

America has always shipped coal-tar products to Russia, but in 1935 for the first time crude coal-tar products were exported from Russia to the United States—conceivably harbingers of a trade reversal of greater magnitude. For

THE MAGAZINE OF WALL STREET

example, Soviet exports of benzol and naphthalene showed a persistent increase up to 1934; while soda ash, which is still the ranking article in this field, fluctuated between 30,000 and 45,000 tons in the volume-record foreign sales for the Soviets.

It is interesting to note that while superphosphate production in the United States dropped from 307,653 tons in November 1934 to 288,307 tons in 1935, Soviet exports of phosphate fertilizers to the United States increased over 100 per cent. Russia, the former granary of Europe, passed through famine, buried her dead, now is resuscitated as an agricultural nation of importance. Despite congenital Russian inefficiency, the rehabilitation of agriculture was to be expected. The practical application of Fordian production methods was envisaged but not expected. Russia now looms as a potential competitor in the world's industrial markets.

* * *

Honduras—The Good Neighbor

During the first nine months, the American Government's new policy of reciprocal trade agreements has leaned heavily toward Latin America for support. This may come from the long era of perpetual negotiation which has united Pan-America. The signatures of Brazil, Cuba, Haiti, Colombia and, just at the end of 1935, Honduras, are set against such comparatively few European signatories as Belgium, Sweden and Holland. There is no doubt but that the first of these reciprocal trade agreements which was signed with Belgium, effective May 1, 1935, has benefited Belgian exports to America, and at the same time given a generous boost to our automobile industry and its foreign assembling plants. On the other hand, the slapping on of Belgian import licenses and the manipulation of quotas curtailed appreciably potential benefits which the treaty intended for American trade.

It is therefore highly significant that in the commercial accord with Honduras, as in that signed with Colombia, appears an article which forbids such practices as "prohibitions, import or customs quotas, import licences, or any other form of quantitative regulation, whether or not operated in connection with any agency of centralized control." We learn by experience; and our trade agreements are getting better.

Honduras ships to the United States annually more bananas than all the rest of the Central American states combined. In 1934 we paid more than \$7,460,000 to Honduras for bananas alone, which is by \$5,000,000 far and away the largest sum that we paid to any of the rainbow states for any of their produce during the same period. Besides bananas, Honduras ships to us mahogany logs and takes our railroad ties; ships us deerskins and takes cotton shirts;

ships us sarsaparilla root and takes our canned fruits, fresh fruits, vegetables and fish, on which a contingent 75 per cent. decrease in duty is provided. Our exports to Honduras, \$12,919,000 in 1929, dropped to \$5,633,000 in 1935. Reciprocal concessions are intended to revive our export trade with Honduras by improving its purchasing power, also to foster the good-neighborly spirit, since the United States has undertaken projects for the construction of railways and aviation fields in this country.

* * *

The French Sterling Loan

The recently negotiated £40,000,000, nine-month 3½ per cent. loan by the French Treasury in London has several interesting features. It was made privately by the big London banks, although there seems to have been a supplementary agreement that the Bank of France would always maintain sterling or gold with the Bank of England to the amount that the credit was utilized. There would thus be no effect upon the sterling/franc exchange, for by as much as the French Treasury drew on the private banks, the Bank of France would be remitting to the Bank of England. Why was the arrangement made? Well, it was advantageous to France, for it was cheaper than borrowing at home and delays what appears to be the inevitable financial crisis. At the same time, it enabled Britain to strengthen the Entente Cordiale relationship in the face of growing German rearmament and the numerous other factors causing uncertainty in the European situation. Besides it was just plain good business on the part of Britain; she was enabled to make a gilt-edged loan at satisfactory rates. Also, from

the broader standpoint Britain does not want any bombshells in the world monetary situation which she is handling so much to her own advantage. She knows that ultimately French devaluation is inevitable and accepts it, but she is going to do everything possible to ease the shock. She wants French devaluation when it comes to be an orderly thing, with prior exchange of information between Paris and London financial authorities that they may be ready for it. She does not want it accompanied by the internal collapse of French credit as a

result of the budgetary difficulties and accompanied also by political pandemonium.

* * *

The Allegiance of Central Europe—Allied Loans or German Affinity

Since the war the foreign policy of central European States has seesawed between France and Germany. During

(Please turn to page 609)



Savders Photo from Nesmith

Most of our bananas come from Honduras

Commodities On the Upward March

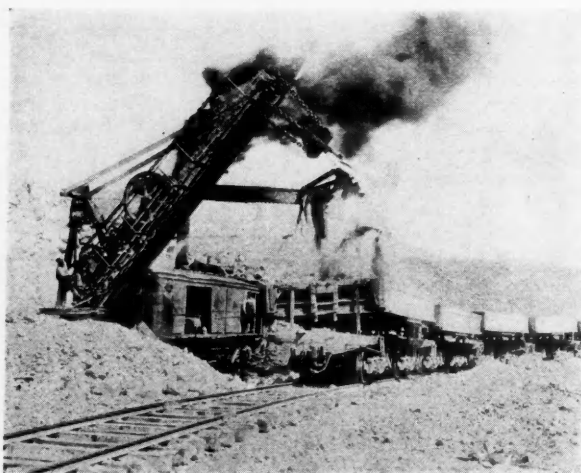
Rising Production and Expanding Demand
Are Contending Forces in World Markets

By C. S. BURTON

COMMODITIES are on the upward march. A sustained advance and a market, which we can call normal, as contrasted with the abnormalities which have been with us during the slump, is evidently ahead of us.

Recovery from depression is a misleading term, since it implies the re-possession of something which, in one way or another, has slipped out of our control. Now, we are not going back to pre-depression conditions; but the creeping rise in commodity prices is a bit of real evidence—a most important bit—that we are turning one of the first corners, where we can begin to look ahead and make up our minds to leave the depression to future historians.

The field which commodities occupy is as broad as the



Courtesy, Copper & Brass Research Assn.

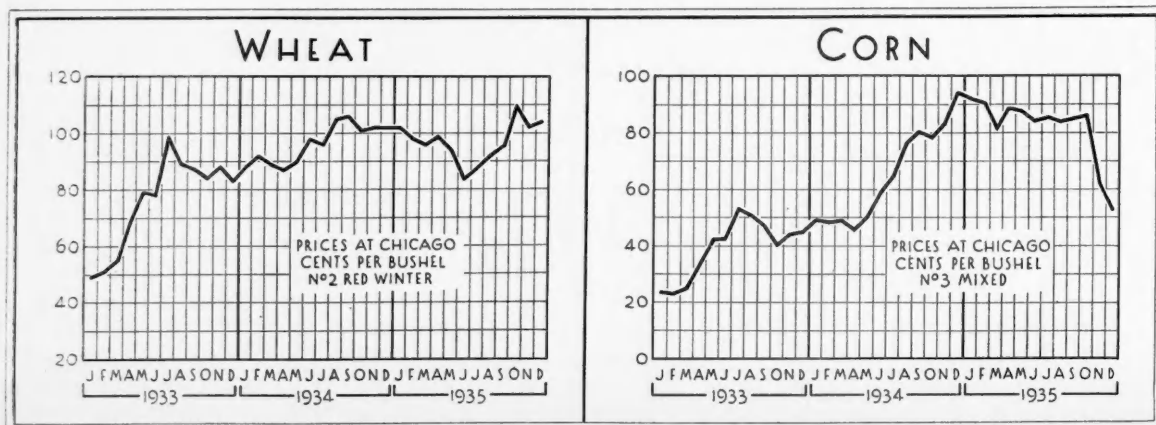
Steam dredge landing copper ore

world we live in. It is to those items, mostly raw materials which enjoy a world market, that we must look as furnishing some index for the future. The figures rather indicate that commodity prices have crept up in the face of more or less discouragement.

Roughly speaking, and taking 1913 prices as equaling 100, wholesale prices of commodities appear to have climbed to a post-war time high of about 245 in 1920; falling precipitously during the liquidation of wartime stocks and prices during 1920 and '21; in the latter year finding a level around 150 per cent of

the 1913 price, which level was maintained with fair consistency from the close of 1921 to the close of 1929.

The depression low for wholesale commodity prices was



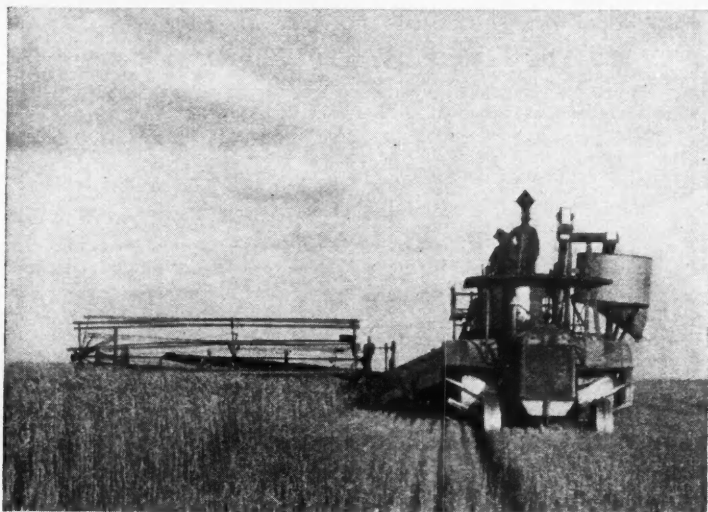
reached in November, 1933, being around 63.5 per cent of the 1913 level. If, from the early part of 1933, when we devalued the dollar, we take prices in gold — world market figures—we find current levels to represent about 77.5 per cent of the 1913 base. In current U. S. dollars, ruling commodity prices purport to represent about 130 per cent of the 1913 base.

In other words to get back to 1913 price levels in terms of the old U. S. dollars, wholesale price indices must move upward further to 169. There is, therefore, plenty of room marketwise, in which commodities may swing upward before reaching what we here consider as a normal level.

Prices could very well advance far beyond the 1913 level before it could be said that the market would then be moving by the force of inflation. If we have lost ground to regain in the matter of price, there is still greater slack to take up in quantity.

We need not be disturbed about excess capacity. There is potential demand to remove every possible surplus bugaboo. There are some indications that such demand may evolve into effective buying power. For example, bank debits to individual accounts for January rose to the highest figure since 1931. The higher this figure climbs the greater the indicated velocity of money, more activity, more money in use, more jobs, more pay envelopes with more in them, more demand converted into buying power, more goods purchased, increased production; meaning in turn more jobs and we have the longed-for spiral on its way up.

Another indication pointing in the right direction is the increase in purchases of farm equipment. Deere & Co., International Harvester, J. I. Case, Allis Chalmers, and Minneapolis Moline Power Implement appear to be in line for a healthy and much needed upturn in business.



Valentine Photo

"Bringing in the Grain" in Montana

The "big three" in commodities are food, clothing and shelter. Happily, man's wants or desires are not confined thereto.

Clothed, housed and fed, all mankind, consciously or unconsciously, makes up a list of further wants to be satisfied. In our day the Number 1 wish, marked "must," is the automobile. We do not think of the vehicle, which we use and abuse, as a commodity, but we do think of the steel, the copper, the rubber, the tin, that go into its manufacture and the fuel and lubricant,

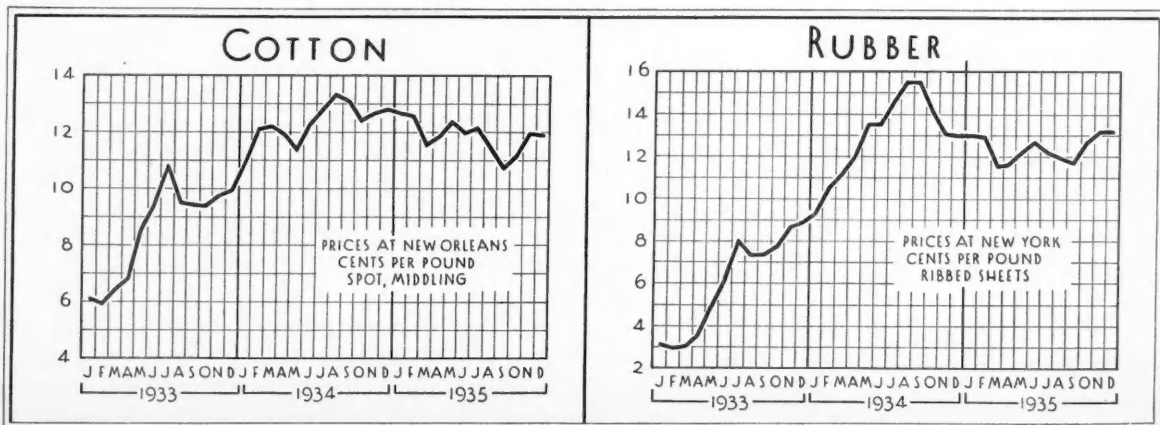
which it consumes, very distinctly as important commodities.

When we note that factory sales of cars in 1935 were 146 per cent of sales in 1934, we can study two phases of the situation profitably as shedding light upon the future of commodities. The primary cheering aspect is the readiness of the world market to buy. World market for cars is cited here because, of 4,182,491 cars sold from the factory, in 1935, a fair percentage went abroad before assembly.

This writer's office window looks out upon the piers of the Export Line, whose ships shuttle back and forth between New York and Mediterranean ports. Barges are continually alongside the ships laden with cases marked Buick, Plymouth, Packard, etc. Thousands of cars in the knock-down headed for the Levant. This huge addition to automotive transport, means a sustaining demand for steel, for copper, for zinc, for rubber, for tin, the commodities that are built into the car.

For the moment, take the last item. Tin moves in a world market, we have none of our own, we require it in increasing quantity. Its advance in price should follow rising demand in the natural course of events. Just a minimum of figures to show what momentum its consumption has already attained.

In the twelve months ended November, 1935, world



production of tin amounted to 134,506 long tons, which is an increase of more than 28 per cent over the like period a year previous. Consumption for the same period was 138,906 tons, 18 per cent over the corresponding twelve months a year earlier and the highest rate of use since 1931. It must not be thought that our automobiles use all of the tin which we import; as a matter of fact, the car accounts for but about 16 per cent of the tin we use each year.

Along with such figures of production and consumption there must be taken into account the matter of price. During 1933, 1934 and 1935, the price of tin (in old gold dollars) has hovered around 30 cents per pound (in devalued currency, around 50 cents). The expectation of higher prices for tin is based upon ruling figures in the past. Taking ten year averages, the average price of Straits tin in New York, for the ten years ending 1913, was 36.48 cents per pound; ten years ending 1923, 48.75 cents; ten years ending 1933, 45.07 cents. Thirty years, covering war time high and depression low, showing an average well above prevailing market. Certainly these figures justify expectation of higher prices.

This is not intended as an article on tin. So much as is worked out thus, is merely by way of illustration to show that commodity prices have much upward road to travel before reaching what we may consider as normal levels.

There is the matter of boots and shoes; we are back to 1929 level of production. Common knowledge and obser-

The Trend of World Commodities

As of the end of December	1931 Cts.	1932 Cts.	1933 Cts.	1934 Cts.	1935 Cts.
Wheat per bushel.....	62.9	50.81	85.25	97.22	105.85
Liverpool's unit is 496 lbs.					
Gold price.....			50.45	87.53	62.64
Corn per bushel.....	36.52	36.87	59.79	64.87	52.50
Liverpool's unit is 480 lbs.					
Gold price.....			35.38	38.39	31.07
Bacon per lb.....	6.82	9.66	17.85	18.98	18.69
Gold price.....			10.87	11.23	11.06
Coffee per lb.....	17.03	13.97	16.43	16.23	13.21
Gold price.....			9.76	9.69	7.81
Cocoa per lb.....	6.83	6.24	8.01	9.19	9.24
Gold price.....			4.74	5.44	5.47
Butter per lb.....	20.59	18.13	23.11	26.92	28.15
Gold price.....			13.68	15.93	16.66
Cocanut Oil per lb.....	3.79	3.43	3.89	4.42	4.96
Gold price.....			2.31	2.62	2.94
American Cotton per lb.....	7.54	7.07	11.66	14.86	13.11
Gold price.....			6.89	8.79	7.76
Australian Wool per lb.....	31.07	26.34	61.92	45.31	49.25
Gold price.....			36.65	26.81	29.18
Pig Iron per ton in \$.....	8.85	8.69	13.39	14.02	13.09
Gold price.....			7.93	8.29	7.16
Lead per ton in \$.....	51.46	37.14	57.19	52.96	78.14
Gold price.....			33.85	31.34	46.24
Tin per lb. in Cts.....	21.37	22.05	51.93	50.41	46.01
Gold price.....			30.73	29.83	28.41
Copper per lb. in Cts.....	4.32	4.22	7.36	6.26	7.85
Gold price.....			4.36	3.71	4.65
Petrol (Gasoline) per gallon Cts.....	.22	25.65	36.30	35.00	35.00
Gold price.....			21.48	20.72	20.66
Linseed Oil per lb. Cts.....	2.21	2.56	4.17	4.25	6.11
Gold price.....			2.47	2.51	3.62
Rubber per lb.....	4.66	3.33	9.18	13.18	13.35
Gold price.....			5.44	7.79	7.78
Sugar, Cuban Raws duty paid, Cts. per pound.....	3.33	2.78	3.15	2.60	3.10

It will perhaps appear to the reader that some of the world prices quoted are out of line. This is due to the variations in exchange. London prices can go up and dollar exchange register a decline in the price in dollars and cents—more than offsetting the sterling advance. The only basis for real comparison is the gold price.

vation tell us that there must be millions of extra pairs needed in the family shoe box. The hide market takes a calm view of the government holdings of the hides, accumulated through the purchases of drought stricken cattle during 1934. The Government has turned over some million and a half of cattle hides and a half million calf skins to state agencies. There is full confidence that these hides can be absorbed in the leather market without price disturbance, which, in turn, means confidence in the consumer.

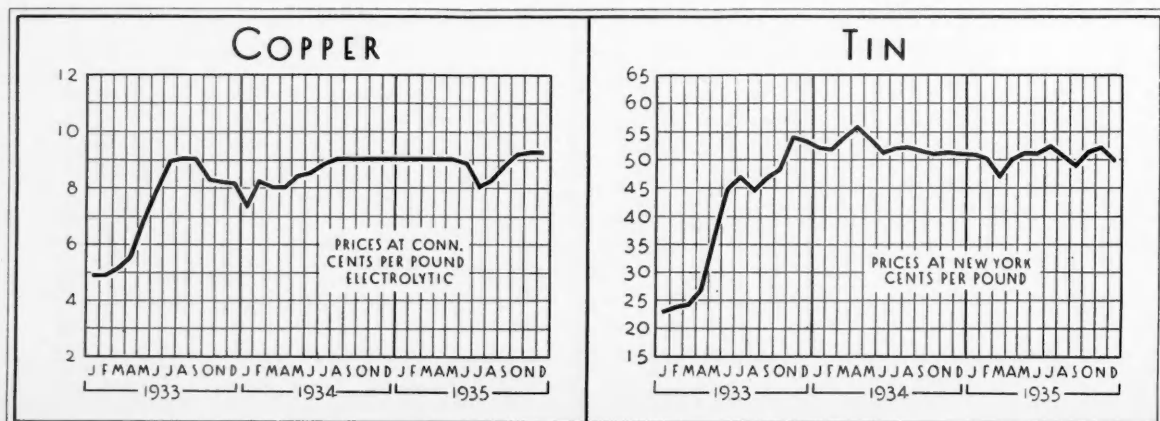
Some basis for this confidence and quite aside from the forces of inflation, lies in the supply situation. The index figure for domestic stocks of raw materials is low; taking 1923-25 as 100, current stocks are around 170, whereas

the average since 1929 has ranged from seasonal lows of about 165 to year end highs of 200. Domestic stocks of manufactured goods are low and show a downward trend, indicating increased buying, while manufacturing activity shows some upturn.

Thus, we can safely say the stage is set for further price advances in commodities. We cannot consistently consider present price levels as normal when we note increases in consumption as for example, in rubber, breaking records for all time.

In 1935, we used approximately a half million long tons of 2,240 pounds. Rubber will not continue to sell around 16 cents per pound when it is used in such quantities. The

(Please turn to page 604)



Semi-Annual Dividend Forecast

Part III—Oils, Building, Aviation, Merchandising, Miscellaneous and Specialties

THE upward spiral of economic recovery is now firmly established. The despair of 1932 and early 1933 recedes into history. The limited and erratic advances and retreats of 1934 are forgotten and forgiven. The real thing—recovery irresistible—got off to a confident start during the second half of 1935 with the waning of political fears. By all of the present evidence it will make further progress this year, especially during the first six months.

Thus the prevailing trend is running strongly in favor of the investor. Aggregate business volume is pointed upward and aggregate corporate profits are rising. To a large extent hampering governmental interventions in the processes of industry have been eliminated. Abrupt distortions in costs, operative in 1933 and 1934 under the N R A codes, have been corrected or offset by enlarged volume. In consequence, earnings of well situated corporations should make a gratify-

ing showing during the months ahead and undoubtedly will be translated promptly into dividends.

Yet, however favorable the general trend, there will, as always, be wide variations between industry and industry and between company and company. The problem of the investor is individual and specific, not general. It is to serve

this specific interest that our Semi-Annual Dividend Forecast is divided into industries and covered in three parts. Part I dealing with leading companies in the steel, railroad, mining and metal, amusements and liquor industries appeared in our issue of February 1. Part II covering motors and motor accessories, foods, tobaccos, chemicals, and public utilities, appeared in the preceding issue of February 15. Part III is presented herewith.

The tables comprising this service are accompanied by our usual investment ratings, which are fully explained in the accompanying table.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY
A—In a strong and expanding position.
B—In a fairly strong and stable position.
C—Depressed but prospects for recovery moderately favorable.
D—Depressed; declining profits; no signs of nearby improvement.

COMPANY
1—Large current earnings; dominant in field; strong financially.
2—Good potential earnings; important company; good financial position.
3—Earnings still relatively low; fair financially; business volume moderate.
4—Doubtful outlook; weak financial position; unprofitable operations.

Petroleum Industry on Sound Base

Record Demand and Higher Prices
Expected to Lift Corporate Profits

LAST year was one of betterment for the oil industry. Consumption moved to a new record high, production was held under more effective control, while price distortions as a result of N R A, were eliminated by the Supreme Court early in the year.

It is well to keep always in mind that the oil industry has three main divisions: production, transportation and refining. For true prosperity they must all earn reasonable profits. Conditions are not satisfactory unless there is a fair margin between the price of gasoline and the price of crude. The year 1934 provides an example where this margin was not a fair one and, while producers generally did reasonably well, the refining division failed to realize fair

profits. The main cause of improvement last year is to be found in the rise in price of the finished product to more nearly correspond with the well-maintained price of crude.

Yet, while the petroleum industry entered the present year with greater justification for hopefulness than at any time since 1930, the situation was not wholly free from troublesome aspects. Since the wane of flush production in the East Texas field, little difficulty was experienced east of California. In this state, however, over-production was causing considerable alarm, for it was rightly believed that the constant piling up of stocks on the Pacific Coast would cause unsettlement sooner or later throughout the whole country.

(Please turn to next page)

Fortunately, California producers got together and early in February decided to make their curtailment program effective. As this is written, the program calls for a 22% scaling down in production, or the cutting of the daily output to the 537,000-barrel mark. Assuming that nothing should interfere with the carrying out of this plan, there is no reason why the oil industry throughout the country should not remain stable.

A good deal will depend, of course, on the weather. The recent cold spell, accompanied by impassable, snow-clad roads, naturally curtailed the consumption of gasoline and, whether or not there was any connection between decreased demand and price reductions, it is a fact that from isolated regions have come reports of moderate reductions in the retail market. On the other hand, the market for heating oils has been very firm, with numerous regions reporting advancing prices. It will be remembered that the installa-

tion of oil burners in residences has been going ahead by leaps and bounds and that they now afford an outlet of importance.

With the advent of warmer weather the automobile will again come into its own. Gasoline and lubricating oil consumption this year may confidently be expected to register yet another record high. Not only will there be an increasing number of private cars, buses and trucks on the road, but the clearly defined prospects of a growing general betterment will result in the greater use of automobiles. Thus, with the prospect of production being kept in hand and consumption on the upward trend, the fundamentals in oil are clearly favorable.

As they materialize, there is no question of their being translated into corporate earnings and from here into dividends for common stockholders—and this despite the ever-mounting burden of taxation.

Position of Leading Petroleum Stocks

Company	Earned per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1935	High	Low					
Amerada.....	2.20	1.60	80	48½	84	2.00	2.4	A-2	Conservative company. Has large reserves. Regular dividend seems thoroughly assured.
Atlantic Refining.....	2.07	1.49	28	20½	33	1.00	3.0	A-2	Fourth quarter net much better than last year. Preparing an issue of preferred stock to finance redemption of 5% debentures due 7.1.37.
Barnsdall.....	def	0.25a	14¼	5½	18	0.60*	3.3	A-3	Enjoys profitable operations now that it is solely a producer of crude. Declares 5 cents extra.
Consolidated Oil.....	Nil	NF	12¼	6½	14	0.25†	1.8	A-3	Common stockholders' equity in earnings enhanced by refinancing at lower rates of interest. Further dividends expected.
Continental Oil.....	1.03	9 mos. 1.19	35	15½	37	1.00	2.7	A-2	Doing better. A candidate for extras, or even a higher regular rate.
Creole Petroleum.....	0.76	NF	23½	10	33	0.20†	0.6	A-3	Production making new records. In December declared initial dividend of 20 cents.
Gulf Oil.....	0.62	NF	74¼	50¼	85	....	....	A-2	Possesses huge oil reserves. Dividend policy is traditionally conservative.
Houston Oil.....	Nil	0.28	7	1½	12	....	....	A-3	Dividend arrears on the preferred to be liquidated before the common can receive anything.
Humble Oil.....	2.45	NF	64	44	71	1.00	1.4	A-1	Company is Standard of New Jersey's big producing subsidiary. May pay more.
International Petroleum.....	NF	1.49b	37½	29½	37	2.50†	6.7	A-2	Probably will continue to act liberally towards its stockholders.
Mid-Continent Petroleum.....	0.45	9 mos. 0.78	20½	9½	21	0.40†	1.9	A-2	Undoubtedly will continue to make distributions to stockholders from time to time in accordance with earning power.
Ohio Oil.....	0.32	9 mos. 0.22	14¼	9¼	17	0.30†	1.8	A-3	Higher prices for crude would help the company substantially, for as a producer it is more than ordinarily well situated.
Phillips Petroleum.....	1.38	9 mos. 2.37	40	13¼	45	1.00*	2.2	A-1	With earnings for last year estimated at better than \$3 a share, company would seem to be in a position to pay substantially more.
Pure Oil.....	def	2.00E	17	5½	21	....	....	A-3	Does much better. Plan to eliminate preferred arrears by the issuance of additional preferred.
Royal Dutch.....	7.6%	NF	48¼	29¼	56	1.70†	3.0	A-2	Undoubtedly will participate fully in any further improvement in the world oil situation.
Seaboard Oil of Del.....	1.10	9 mos. 0.98	36½	20¼	36	1.00†	2.7	A-2	Should experience no difficulty maintaining regular quarterly payment of 15 cents and "regular" extra of 10 cents.
Shell Union.....	def	9 mos. 0.21	16¼	5½	19	....	....	A-3	Doing much better, although arrears of \$24.75 a share on the preferred as of 1.2.36 obscure common dividend outlook.
Skelly Oil.....	0.31	9 mos. 1.26	20½	6½	24	....	....	A-3	Recently financed with savings in interest. Large dividend accumulations on the preferred.
Socony-Vacuum.....	0.76	NF	15¼	10½	16	0.40	2.5	A-2	Just raised semi-annual dividend from 15 cents to 20 cents. A candidate for further increases later on.
Standard Oil of California.....	1.40	9 mos. 1.20	41½	27¼	46	1.00*	2.2	A-1	Just declared extra of 5 cents. A candidate for further extras.
Standard Oil (Indiana).....	1.25	6 mos. 0.87	33½	23	39	1.00	2.5	A-1	Company appears likely to distribute more to common stockholders in the near future.
Standard Oil (Kentucky).....	0.99	NF	24	18	22	1.00*	4.5	A-2	Will probably continue to distribute the greater part of earnings to stockholders.
Standard Oil (New Jersey).....	1.76	NF	52¼	35¼	61	1.00*	1.6	A-1	Stocks of partially owned subsidiaries have registered tremendous gains in market price.
Standard Oil of Ohio.....	def	3 mos. def	23½	11½	26	....	....	A-2	Substantial profit is estimated for last year, the first since 1931.
Sun Oil.....	3.51	5.45	77	60¼	87	1.00*	1.2	A-1	Company's policy is to declare extras in stock, bringing dividends approximately into line with earnings. 7% extra in stock declared for 1935.
Texas Corp.....	0.59	NF	30¼	16¼	34	1.00	3.0	A-2	Last year's earnings should prove to have covered regular dividend by substantial margin.
Tide Water Associated.....	0.35	9 mos. 0.53	15½	7½	18	See com.	....	A-2	In January declared out of 1935 earnings special dividend of 25 cents a share on the common.
Union Oil of California.....	0.66	9 mos. 0.91	24	14¼	27	1.00	3.7	A-2	Seems to be well able to maintain regular conservative rate.

a—Sept. quarter. b—Year to June 30. NF—Not available. E—Estimated. * Plus extras. † Paid last year.

Position of Leading Aircraft and Aviation Stocks

A full discussion of the position and prospect of the Aircraft Industry appears on page 566

Company	Earned per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1935	1935 High	1935 Low					
Aviation Corp. (Del.)	Nil	Nil(e)	5¼	2¾	6	....	...	B-3	Stinson Aircraft, an affiliate specializes in transport planes. Fairly large capitalization. Dividends not in sight.
Boeing Airplane	Nil(a)	Nil(e)	22½	6½	25	....	...	B-2	Development expenses took heavy toll last year but large volume of unfilled orders presage better current results. Dividends unlikely in near future.
Consolidated Aircraft	0.01	0.60(e)	18	7	21	....	...	B-2	Fairly important manufacturer of military and naval aircraft. Need for working capital likely to postpone dividends.
Curtis Wright	Nil	Nil(e)	4½	2	6	....	...	B-3	A leading unit making planes and motors. Has large government orders which should be enhanced this year. Dividends not imminent.
Douglas Aircraft	0.08(b)	2.70	58½	17½	70	0.75(P)	1.0	B-2	Outstanding maker of both transport and military planes. Large unfilled orders. Expansion plans may limit dividends.
Irving Air Chute	0.60	1.69	17	3¾	23	1.00	4.2	B-2	Company's parachute business international in scope and large volume of unfilled orders foreshadows continued good earnings. Further extras likely.
National Aviation	Nil	0.13	14¼	6¾	14	....	...	...	Aviation investment trust. Liquidating value \$14.95 a share as of 12/31/35. No divs. in prospect.
North American Aviation	Nil	Nil(e)	7½	2	8	....	...	B-3	Third largest operator of mail and transport planes. Also manufactures planes and parts. Finances sound but dividends not an early prospect.
Pan American Airways	1.69	NF	49½	36	57	1.00	1.7	B-2	A leading operator of transport and mail planes. Scope steadily expanding. No change in divs. indicated.
Sperry Corp.	0.96	1.00(e)	18½	7¼	21	0.50	2.4	B-2	Although not dependent on plane orders, this source promises to become increasingly important. Current operations at capacity. May increase divs. this year.
United Aircraft	Nil	0.21	30½	9½	31	....	...	B-2	Important manufacturer of planes, engines and propellers. New stock offering proposed to increase working capital. No early div. action.
United Airlines Transport	Nil	Nil(e)	13¾	4½	16	....	...	B-2	Loss materially less last year. Mileage flown made new high record in '35. No divs. likely for the present.

(e)—Estimated. (a)—4 mos. ended Dec. 31. (b)—Year ended Nov. 30. NF—Not available. (P)—Paid last year. No regular rate.

Large Gains in Construction Expected

Companies Catering to the Residential Division Appear to Offer Most Promise

PROSPERITY for the hard-hit building industry is promised at last. Residential construction which had moved steadily downward from 1925 to reach sickening depths in 1934 rose last year. Between 100,000 and 125,000 new houses were built in 1935, more than double the number erected during 1934.

Despite this impressive percentage gain, however, the tide has only just turned. It has been estimated that some 200,000 homes are required in the United States every year, solely for the purpose of supplying the needs of a growing population. In addition to these, not far from 100,000 are necessary to replace those destroyed by fire and other disaster. Finally, there is the indeterminate number required to replace the ravages of depreciation and obsolescence. The potential demand for housing in the United States is such that well over half-a-million homes a year could be built for a number of years without bringing about a condition of over-supply.

Fully recognizing that a potential demand is a far different thing from an actual demand, it is nevertheless a fact that, while you can have the first without the second, it is impossible to have an actual demand unless the potential demand is there first. And there is now concrete

evidence that the actual demand is developing. The amount of evidence supporting this conclusion is impressive. In the first place, the Government in combination with better business and increased purchasing power has called a halt to the liquidation of real estate generally. No longer can prospective home-owners feel virtually certain that they only have to wait awhile to see the cost of housing at still lower levels. No longer is foreclosed property being thrown on the market for what it will bring. Secondly, it is no longer as completely true as it once was that to rent is cheaper than to buy. Indeed, rents have risen between 10% and 15% and, while actual costs of construction probably are still too high in relation to other costs, financing is becoming easier and cheaper. Thus, is the present upturn in residential construction based upon a firm foundation.

The outlook for other divisions of building are somewhat less promising. While apartment house construction is up, gains are less impressive than in the residential field; apartment house rents have not firmed as elsewhere. Of the commercial division generally, it is fair to say that there is still plenty of space available and marked gains here are not a clearly defined near-term prospect. On the

other hand, some impressive progress is being made in industrial construction. A number of steel, oil, airplane and miscellaneous plants are being greatly expanded and renovated.

It has been often and truly said that building activity automatically creates a demand, directly or indirectly, for every product and service known to man. Now, however, that so many new materials are being used in construction this truth was never more readily recognized. For this reason a "building stock" is becoming difficult to define.

New Companies in the Field

Today, we have glass bottle manufacturers experimenting with glass brick, tin foil makers producing house insulation, automobile body manufacturers turning out most attractive plumbing ware, and automobile companies in full cry after air-conditioning business. Future competition among the building companies is not going to be competition between companies making similar lines, but between entirely different materials and apparatus.

This will be a point to remember when looking down the accompanying table which contains only those companies more obviously affiliated with the building industry. It will be remarked that the gain in earnings made last year by many of these organizations has been quite impressive: several have moved from the "red" to the "black," while others register dividend initiations and increases.

Improvement Partly Discounted

Perhaps the main difficulty confronting one who wishes to profit from the coming upturn in building is that the majority of the companies most likely to benefit have discounted in their market price so large a part of the coming improvement. This makes them vulnerable market-wise to any temporary adverse developments. However, for one looking further ahead there are undoubtedly many opportunities to be found among the building stocks even though they sell today at apparently high levels, figured on a statistical basis.

Position of Leading Building Stocks

Company	Earned per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1935	1935 High	1935 Low					
Alpha Portland Cement.....	def	def	22 $\frac{1}{4}$	14	23	1.00	4.4	A-3	Strong financially. Nothing ahead of common. But needs to demonstrate earning power to make dividend thoroughly assured.
Am. Radiator & Std. San.....	0.11	0.23E	25 $\frac{1}{2}$	10 $\frac{1}{2}$	24	....	....	A-2	Fundamental outlook good, although improvement in earning power has been slow so far.
American Seating.....	0.66	1.63	21 $\frac{1}{2}$	4 $\frac{1}{2}$	23	....	....	A-2	Doing better. Some \$711,000 in gold notes will be retired April 15.
Celotex Corp.....	NF	NF	21 $\frac{1}{4}$	16 $\frac{1}{4}$	31	....	....	A-3	Receivers for predecessor company report net income of \$221,215 for the year to October 31, last. Prospects of comeback.
Certain-teed Products.....	def	Nil	15 $\frac{3}{4}$	3 $\frac{3}{4}$	16	....	....	A-3	Some earning power on the preferred, although dividend arrears on the senior issue are large.
Crane Co.....	Nil	NF	27 $\frac{3}{4}$	7	28	....	....	A-2	Now paying \$4 on the \$7 preferred. Accumulations as of 12.15.35 totaled \$22.50.
Devco & Reynolds "A".....	2.36b	2.88b	50 $\frac{3}{4}$	35 $\frac{1}{2}$	55	2.00	3.7	A-1	Retiring all first preferred. May pay more on the common when simplification of the capital structure is further along.
Flintkote.....	2.11c	1.64c	42 $\frac{1}{4}$	11 $\frac{1}{4}$	46	1.00	2.2	A-2	Made special capital distribution of \$3 last year, in addition to regular rate.
Gamewell.....	def d	def e	13 $\frac{1}{4}$	7	16	....	....	A-3	Losses growing smaller. Small accumulations on the preferred.
General Bronze.....	def	NF	10 $\frac{3}{4}$	5 $\frac{1}{4}$	11	....	....	A-3	Although by no means a near-term dividend prospect, outlook has improved.
Gen. Fireproofing.....	0.38	1.09	12	4 $\frac{1}{2}$	17	0.10†	0.6	A-2	Doing better. Small dividend paid at the end of last year.
Holland Furnace.....	0.85f	2.01k	30 $\frac{3}{4}$	5 $\frac{1}{4}$	42	....	....	A-2	In process of eliminating old 7% preferred and accumulated dividends of \$22.75.
International Cement.....	1.04	9 mos. 1.20	36 $\frac{3}{4}$	22 $\frac{3}{4}$	46	1.00	2.2	A-2	A candidate for an extra or even a higher regular rate.
Johns-Manville.....	0.30	9 mos. 1.57	99 $\frac{1}{2}$	38 $\frac{1}{2}$	128	2.00	1.6	A-1	Latest quarterly dividend raised from 25 cents to 50 cents. Larger payments before the end of this year expected.
Lehigh Portland Cement.....	Nil	Nil	17 $\frac{3}{4}$	10 $\frac{3}{4}$	20	....	....	A-2	Arrears on the preferred more than \$11 a share as of January 1.
Minn.-Honeywell Reg.....	4.69	8.00	150	58	192	3.00*	1.5	A-1	Stock to be split three-for-one. Has enjoyed remarkable recovery.
National Gypsum "A".....	0.99	9 mos. 2.25	42 $\frac{1}{4}$	6	63	....	....	A-2	Elimination of all arrearage on the preferred puts the "A" in line for dividends.
Otis Elevator.....	def	9 mos. 0.09	26 $\frac{3}{4}$	11 $\frac{1}{4}$	31	0.60	2.0	A-2	Restoration of earning power lends assurance as to the maintenance of common dividends.
Paraffine Cos.....	3.10g	2.39h	80 $\frac{3}{4}$	71 $\frac{1}{4}$	95	2.00	2.1	A-1	Outlook considered very hopeful. Expect a higher dividend later on.
Penn-Dixie Cement.....	def	def E	5 $\frac{1}{2}$	3	7	....	....	A-4	Makes but slow progress towards the attainment of a profitable basis.
Pratt & Lambert.....	1.09	NF	38 $\frac{1}{2}$	23	33	1.00*	3.0	A-2	Outlook appears to promise further extras from time to time.
Ruberoid.....	3.14	3.82	102	41	117	2.50†	2.1	A-1	Expanding. Paid \$1.50 extra at the end of last year. Further extras likely.
Sherwin-Williams.....	5.30h	6.18h	128 $\frac{3}{4}$	24	125	4.00	3.2	A-1	Replaces 6% preferred with 6% issue. Likely to pay more to common stockholders.
U. S. Gypsum.....	1.35	2.47	87	40 $\frac{1}{2}$	107	1.00*	1.0	A-1	Prospects hopeful. Conceivable that the company will pay this year as much as double the \$1.50 distributed in 1935.
Yale & Towne.....	0.12	0.22	35 $\frac{1}{4}$	17 $\frac{3}{4}$	41	0.60	1.5	A-2	Although present dividend is not being earned, little reason to fear a reduction now that the building prospect is so much improved.

b—Year to Nov. 30. c—40 weeks to Oct. 5. d—Year to May 31, '35. e—6 mos. to Nov. 30. f—Year to Mar. 31, '35. h—6 mos. to Dec. 31. j—Year to Aug. 31. k—9 mos. to Dec. 31. E—Estimated. NF—Not available. * Plus extras. † Paid last year.

Retail Trade Outlook Obscure

Trend of Profits Depends Upon Whether Increased Volume Can Offset Rising Costs and Expenses

THE outlook for merchandising and retail trade companies is not easy to appraise at the present time. It seems to depend almost entirely upon whether the increased buying on the part of the public which will be a result of general business recovery can offset a clear tendency for costs and expenses to rise. This has been the crux of retail trade conditions for some time and the effects upon different companies have been remarkably diverse. Some, notably the chain groceries, which are beset in many states by discriminatory taxation—a subject covered at considerable length in THE MAGAZINE OF WALL STREET of February 15—by and large found that they were unable to maintain profit margins, with adverse effects upon earning power. In the variety and five-and-ten chains, last

year's results were mixed, but generally little different from the previous year's showing. On the other hand, the merchandising companies proper—the department stores, the chain department stores and the mail order houses—achieved gains in dollar sales running as high as 30%. Consequently, profit margins were not as adversely affected here as elsewhere. This favorable factor, combined with the increased purchasing power of the country as a whole, particularly the greater degree of prosperity to be found in the farming regions, made for comparatively good earnings. It is rather expected that present tendencies will persist and that the best prospects of extra and increased dividends among retail trade companies lie in the merchandising division proper.

Position of Leading Merchandising Stocks

Company	Earned per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1935	1935 High	1935 Low					
Allied Stores.....	Nil a	NF	9	3½	7	....	....	B-3	Expected to reout the preferred dividend amply earned for the last fiscal year.
American Stores.....	2.58	1.07	43	32½	34	2.00	5.9	C-2	6 mos. Little margin for current dividend.
Arnold Constable.....	0.54	def b	9½	4	12	0.50	4.2	B-3	def b Last December first dividend paid since formation of present company in 1925.
Associated Dry Goods.....	Nil	....	18¾	7½	14	....	....	B-3	May shortly be in a position to commence liquidation of arrears on first and second preferreds.
Best & Co.....	3.14a	3.73c	57½	34	51	2.00*	3.9	B-1	A candidate for further extras.
Fed. Department Stores.....	1.26a	NF	25	16½	21	1.00	4.8	B-2	Instead of 15 cents and 10 cents extra last dividend was 25 cents "straight."
Fair (The).....	0.02a	NF	12½	5¼	12	....	....	B-3	All arrears on the 7% preferred now cleared-up.
First National Stores.....	3.89d	2.67e	58½	44½	44	2.50	5.7	C-2	Despite downward drift in earnings, regular dividend seems well assured.
Grand Union.....	Nil	9 mos. Nil	5	2¼	4	....	....	C-3	As of 12.1.35 arrears on the \$3 preferred totaled \$1.50.
Grant, W. T.....	2.18a	0.56b	38¼	26	31	1.00*	3.2	B-2	Sales up 8¼% last year. May pay further extras.
Great Atlantic & Pacific.....	7.13f	NF	140	121	126	6.00*	4.8	C-1	Considering combating chain store taxes by decentralization.
Interstate Department Stores.....	1.47a	Nil b	16¾	8¾	12	....	....	B-3	Cleared up all the arrears on the preferred last August.
Jewel Tea.....	4.44	5.49	67	49	72	4.00	5.6	C-1	Dividend just raised to \$4 basis.
Kresge, S. S.....	1.75	1.82	27¾	19¾	24	1.00	4.2	B-2	Mortgages sharply reduced last year. May replace 7% preferred which is callable at 100.
Kress, S. H.....	4.75	4.63	80	56½	70	1.00*	1.4	B-2	Last year paid \$1.00 regular and \$1.00 extra in cash and 3/20s share of special \$10 preferred stock.
Kroger Grocery & Baking.....	2.31	2.25	32½	22¼	26	1.60	6.2	C-2	Regular dividend seems well assured.
Macy, R. H.....	1.95g	NF	57¼	30½	46	2.00	4.3	B-2	No change in current dividend anticipated.
Marshall Field.....	def	Nil	14¼	6¾	15	....	....	B-3	Has been slow to attain a profitable basis.
May Department Stores.....	2.68a	NF	57¾	35¾	47	2.00	4.2	B-1	Entire lack of interim reports and official estimates make it impossible to forecast dividend.
Melville Shoe.....	4.16	5.02	65¼	41	61	3.00	4.9	B-1	Earnings would seem to warrant the hope of extra dividends.
Montgomery Ward.....	1.72a	1.72h	40½	21¾	38	....	....	B-1	Expected to initiate common dividends before long.
National Tea.....	0.60	0.37	11½	8¼	10	0.60	6.0	C-3	Dividend hardly safe in view of the drop in earnings.
Penney, J. C.....	6.29	2.17	84¾	57¼	72	3.00*	4.2	B-1	6 mos. Paid an extra of \$1.50 at the end of last year.
Safeway Stores.....	3.61	3.07	46	31½	34	2.00	5.9	C-2	Despite adverse tax situation regular dividend should be assured for a time.
Sears, Roebuck.....	3.13a	4.15aE	69¾	31	62	2.00	3.2	B-1	A candidate for larger distributions to stockholders before the year end.
Woolworth, F. W.....	3.30	3.20	65¼	51	53	2.40	4.5	B-1	No change in regular dividend expected. All domestic stores now handling items up to 40 cents.

a—Year to Jan. 31, '35. b—Six months to July 31. c—Year to Jan. 31, '36. d—Year to March 31, '35. e—Nine months to Dec. 28. f—Year to Feb. 28, '35. g—53 weeks to Feb. 2, '35. h—Nine months to Oct. 31. NF—Not available. E—Estimated. * Plus extras.

Position of Important Stocks Unclassified as to Industry

Company	Earned per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1935	High	Low					
American Bank Note.....	Nil	1.36	47½	13½	43	0.50(a)	1.1	B-1	Substantial volume of unfilled orders and sustained volume of new financing augurs well for larger dividend this year.
American Can.....	6.72	5.83	149½	110	118	5.00(b)	4.2	A-2	Development costs and higher priced inventories restrict earnings. Increased competition foreshadowed. No change in dividends probable.
American Chiclé.....	4.51	5.94	96	66	95	4.00(b)	4.2	B-1	Further extras would be warranted. Shares attractive for income.
American Safety Razor.....	6.07	6.75(e)	95½	66	108	5.00	4.6	B-1	Dividends well protected by earnings and shares yield an attractive turn.
Armstrong Cork.....	1.97	3.00(c)	50½	16½	48	1.50	3.1	B-2	Prospects favorable for further earnings upturn. May pay extras.
Bristol-Myers.....	2.82	3.30	42	30½	46	2.40(b)	5.2	B-2	Regular and extra dividends adequately supported. Liberal yield afforded.
Coca-Cola.....	3.08	3.50(e)	93	72½	94	2.00	2.1	B-1	Sustained earnings record places shares in investment category. Further extras probable.
Colgate-Palmolive-Peet.....	1.16	1.20(e)	21	15½	19	0.50	2.1	B-3	A modest increase in the current div. would be warranted.
Commercial Credit.....	4.11	6.03	58	39½	49	2.50	5.1	B-1	Earnings may level off this year but should warrant an increase in the present dividend rate.
Commercial Investment Trust.....	4.61	6.25	72	56¼	61	3.00(b)	5.1	B-1	Marked gains in profits may be checked. Regular and extra dividends well supported.
Congoleum-Nairn.....	1.71	1.82	45½	27	41	1.60	3.9	B-2	Earnings prospect continues favorable and new products may be an important factor. No early change in regular dividend likely.
Continental Can.....	4.02	4.21	99¼	62¾	78	3.00	4.0	A-2	Possibility of more intense competition this year but dividends secure.
Crown Cork & Seal.....	2.41	4.00(e)	48½	23½	50	1.50(b)	3.0	B-1	Increasing scope of activities presages further earnings gain this year.
Diamond Match.....	1.75	2.00(e)	41	26½	38	2.00(b)	5.2	B-1	Continued stable earnings probable. No change in present dividend policy.
Eastman Kodak.....	6.28	6.75(e)	172¼	110½	160	6.00(b)	3.7	A-1	Favorable prospects and strong finances suggest further extras this year. Chemical division becoming increasingly important.
General Refractories.....	1.73	1.50(e)	33½	16¼	43	0.50(b)	1.1	A-1	Sustained improvement in closing months not fully reflected in net. Prospects good with increasing steel output. Larger dividends possible.
Glidden.....	1.68(c)	2.91(c)	49½	23½	50	2.00	4.0	B-2	Dividends well within late earnings. Preferred may be retired soon.
Harbison Walker Refractories.....	0.77	1.18	50½	16	41	1.00	2.4	A-1	Further gains indicated for '36, accompanied by moderate increase in dividends.
Hazel Atlas Glass.....	5.21	6.00(e)	120	85	126	5.00	4.0	A-1	Earnings likely to hold near recent level. Dividends well protected. Not affected by tin container competition.
Kelvinator.....	1.08(Se)	1.05(Se)	18¼	10¼	18	0.50	2.9	B-2	Current volume of orders higher but dividend prospects hinge on later results.
Lehman Corp.....	2.68(6)	4.82(6)	95½	67½	98	3.00	3.2	....	Asset value about \$112 a share. May pay more later in year.
Libbey-Owens-Ford.....	1.24	3.26	49½	21½	57	2.00	3.5	A-1	Recent increase in dividends fully justified. Earnings should continue to reflect auto activity. May lose part of Ford business this year.
Link Belt.....	0.93	1.40(e)	43	17½	50	1.20	2.4	B-1	Dividends should continue to keep pace with rising profits.
Liquid Carbonic.....	1.32(Nv)	2.57(Nv)	37½	24½	38	1.60	4.2	B-2	Earnings prospect shows further strengthening. Repossessions have declined substantially. May pay an extra.
Owens-Illinois Glass.....	5.41	6.52	129	80	148	5.00	3.4	A-1	Company's entry into new fields lends interest to future prospects. Dividends well covered. Finances strong.
Procter & Gamble.....	1.11(6)	1.17(6)	53½	42½	46	1.50	3.2	B-1	Earnings relatively stable. Could pay extras from time to time.
Radio Corp.....	Nil	Nil	13½	4	12	....	....	B-2	Proposed recapitalization will pave way for preferred dividends but no return on common imminent. Finances strong.
Reynolds Metals.....	1.68	1.25(e)	32	17½	32	1.00	3.2	B-2	Company has stake of potential importance in building industry. Present dividend safe but development costs may retard earnings.
Sterling Products.....	4.73	4.83	68	58¾	66	3.80	5.7	B-2	Earnings continue to support liberal dividend policy but no increase probable.
United Drug.....	1.32	0.50	13½	8¾	15	....	....	C-3	Late earnings somewhat better but no dividends likely in near future.
United Fruit.....	4.12	3.84	92½	60½	74	3.00	4.0	B-2	Prospects better for '36 and dividends adequately safeguarded.
U. S. Freight.....	1.01	2.53	39½	11	30	1.25(b)	4.2	B-2	'35 gross up about 20% but store-door delivery by rails may reduce current volume moderately.
Wrigley (Wm., Jr.).....	3.99	3.65(e)	82¾	73¾	77	3.50(b)	4.5	B-2	Regular and extras safely covered despite moderate decline in net. Prospect favors stable rather than any sizeable gain in '36 earnings.

(a)—Paid this year. (b)—Incl. extras. (c)—Year ended Oct. 31. (d)—Recently resumed; no regular rate. (e)—Estimated. (Se)—Year ended Sept. 30. (Nv)—Year ended Nov. 30. (6)—6 mos. ended Dec. 31.

Opportunities in Preferreds

For Income

For Price Appreciation

Selected Issues with Profitable Possibilities

By EDWIN A. BARNES

THE preferred stock group continues to elicit considerable investment and speculative attention, notwithstanding the sizable and extended gains which have been scored. The favorable industrial events of the past two years have had the effect of greatly strengthening the dividend security for many preferred issues; many companies previously engulfed in the depression and compelled to pass preferred dividends have since resumed payments; while not a few have already provided for the full or partial liquidation of accumulated and unpaid preferred dividends. Naturally, these developments have found substantial reflection marketwise and, with a practical limitation placed on market possibilities by the fixed dividend on most preferred issues, the list of attractive opportunities among preferred stocks has been reduced. Nevertheless, promising issues in this group are still fairly plentiful.

In the present circumstances preferred stocks, or at least the type of preferred stock with which this discussion is concerned, may be selected for the purpose of performing one of two investment functions — (1)

immediate income return with a better-than-average yield and (2) potential income and price appreciation.

The problem of maintaining investment income in the face of the unceasing redemption of high-coupon bonds through the sale of new issues bearing a lower rate of interest may be at least partially solved by the individual investor by allotting a portion of his funds to preferred stocks. However, to obtain a worthwhile advantage from the standpoint

of income return, it must be frankly recognized that the choice from necessity will largely fall to the preferred stock issue of medium grade caliber. The investment position of the highest grade preferred stocks is in a number of respects comparable to that of bonds and as a consequence they have been subject to the same influences as bonds. Low interest rates and a great plenitude of funds seeking safe investment have had the effect of steadily enhancing the market value of the highest grade preferred stock issues until many of them are currently selling to yield less than 4 per cent.

The fact, however, that the investor is limited (Please turn to page 606)

For Income

Issue	Recent Price	Dividend	Yield	COMMENTS
Beatrice Creamery.....	108	7.00	6.4	Full year's div. nearly covered in 9 mos. to Nov. 30/35. Liberal yield lends attraction. Call price \$110.
Columbia Pictures.....	48	2.75	5.7	New issue. Convertible into 9/10 shares of common for each share of pfd. Shares attractive for income and possible price appreciation through convertible feature. Call price \$54.
Gillette Safety Razor.....	88	5.00	5.6	Medium grade issue. Late earnings afford comfortable margin for pfd. requirements. Call price \$105.
Remington Rand 5% prior.	24	1.25	5.2	Late earnings show marked improvement. Shares offer a sound investment vehicle. Call price \$25.
Spicer Mfg.....	47	3.00	6.4	Dividends paid regularly through depression and late level of earnings afford good coverage. Call price \$57.50.
Thatcher Mfg.....	60	3.60	6.0	Company earned \$6.62 a share on preference shares last year. Finances strong. Share attractive on a straight income basis. Call price \$60.
N. Y. Steam.....	95	6.00	6.1	Divs. on pfd. shares fairly well protected despite lower earnings last year. Call price \$105.

Potential Income and Profit

American Car & Fdry. 7%...	72	.....	.....	Shares not cumulative and non-callable. Div. requirements total only \$2,100,000 annually. Company's prospects materially better and strong finances would permit prompt resumption of divs. on pfd. with any improvement in earnings.
American Steel Foundries 7%.....	112	2.00	1.7	Accumulations will total \$16.25 as of 3/31/36. Only 57,000 shares outstanding. Outlook visibly improved and shares present interesting possibilities.
Associated Dry Goods 2nd 7%.....	98	.....	.....	Shares have \$26.25 in back divs. First pfd. back divs. all liquidated. Finances strong. Resumption of payments at full \$7 rate likely this year.
Childs Co. 7%.....	53	.....	.....	Company earned \$3.13 on pfd. in '35 as compared with a loss in '34. Total accumulations of \$28 as of 12/31/35 would require only \$1,044,988 to liquidate.
Celotex Co. 5%.....	70	.....	.....	Building prospects for this year augur well for better earnings for Celotex. As a potential \$5 issue shares promise a liberal yield.
Otis Steel 7% Prior.....	95	.....	.....	Earnings have staged a strong comeback. Pfd. accumulations total \$31.50 a share. Prospects favor resumption of regular rate and some plan for back payments.
Goodyear Tire & Rubber 7% First.....	97	4.00	4.2	Prospects favor resumption of regular \$7 rate in near future. Arrears total \$9 a share. Attractive for income and profit.
Republic Steel 6% "A" Prior.....	91	6.00	6.5	Accumulations amount to \$4.50 a share. Company's prospects have improved steadily. Shares combine a liberal yield with profit possibilities.

A Big Railroad Coming Back

Reduction of Indebtedness and Improving Revenues Brighten the Outlook

By PIERCE H. FULTON

A BIG railroad is coming back when many people thought it could not.

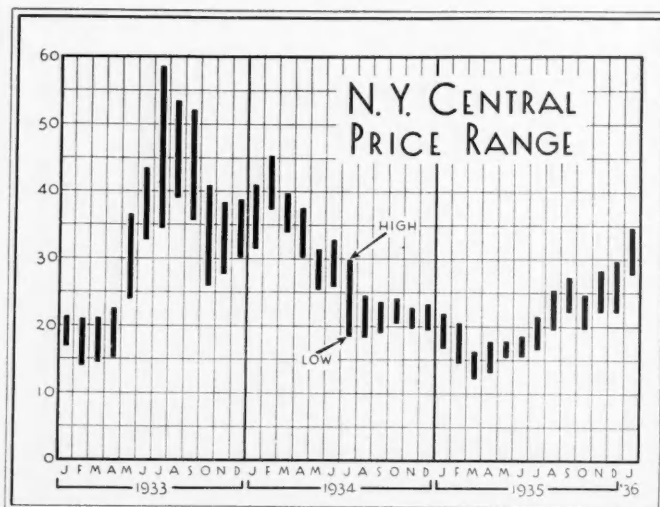
That, in a single sentence, is the position of the New York Central today. But to get a good idea of how far back this big railroad system has travelled toward real prosperity, it is only necessary to glance at a few figures. Here they are—

1.—Operating revenues for 1935 were \$310,192,979 against \$295,084,881 for 1934, and in striking contrast with only \$283,341,102 for 1933, the low year of the depression for that item. Here is a comeback of \$26,851,877 in two years.

2.—Net income after fixed charges for last year was about \$115,046 against a net loss of \$7,682,335 for 1934 and the gigantic net loss of \$18,256,400 for 1932, by far the worst year of the depression for that item. In other words, within three years New York Central showed an improvement in the final figure of its income account of \$18,370,400.

3.—Operating revenues for January of this year were in the neighborhood of \$28,000,000 against \$25,506,613 for January, 1935, and \$24,284,542 for 1934, representing an increase of two and a half million over last year and 3.7 million over the year before. As already indicated, a small net loss after fixed charges is expected for January against a net loss of \$677,662 for January, 1935, and \$759,395 for the corresponding month of 1934.

With gross and net earnings showing this improvement and with the road in the hands of a management that is determined to maintain its physical properties at a high standard, meanwhile reducing indebtedness, there is every reason for present and prospective holders of New York Central to be distinctly encouraged, and even hopeful, relative to its present position and immediate outlook.



When the crash came, late in 1929, and during the next two or three years, New York Central was geared up for such a large volume of business, and its commitments were so heavy for new undertakings—notably the extensive west side improvements in New York City—that it was impossible to curtail expenditures as rapidly as traffic and earnings fell off. Hence the extensive short term borrowing and some longer term financing, the latter at a rather high interest

rate. As already indicated, Frederick E. Williamson, president, and his associates, are determined to reduce the company's debt as rapidly as possible. In this connection it is of special interest to observe carefully what was accomplished in this respect in 1935.

During that period maturities amounted to \$56,886,602. In this amount the larger items were Reconstruction Finance Corporation loans, \$15,600,000, which were paid on December 1; equipment trust installments, \$14,627,343, and New York Central 20-year 6% convertible debentures, \$12,060,000.

To meet these maturities the company had extraordinary receipts and credits amounting to \$32,012,946, of which \$9,000,000 came from the sale of Boston & Albany bonds, \$6,735,000 from the sale of Canada Southern bonds and \$7,500,000 from the sale of Toledo & Ohio Central bonds. The balance of the receipts came from miscellaneous sources. The difference between the amount of maturities and that of the extraordinary receipts, or \$24,873,656, was paid out of cash from operations—a very sizable amount for a railroad even as large as the New York Central, to take from that source in a single year. It represented a reduction in the outstanding debt by that much.

After accomplishing all this in 1935, and meeting inter-

THE MAGAZINE OF WALL STREET

est and other obligations at the end of the year, without temporary loans, New York Central had cash in its treasury on January 2 of this year, of about \$16,500,000. This was the good sized "nest-egg" with which it began the current fiscal period. It is officially estimated that by the end of February this amount will be increased to around \$22,000,000.

More Repayments to Come

Maturities this year amount to roughly \$27,550,000, of which \$10,761,000 represents equipment trusts, \$10,629,000 mortgage debt and the small balance of \$160,000 miscellaneous items.

The writer is able to state, on official authority, that these obligations will be paid off at maturity without new financing. In fact, a special fund nearly sufficient to cover these maturities has been set up already. When they have been met, it will mean that in 1935 and 1936 New York Central's outstanding debt will have been reduced, very largely out of treasury cash, by a total of \$52,423,656.

But right now, New York Central officials, directors and bankers have a plan practically completed for a still larger and more important piece of financing. It was discussed at the February meeting of the directors and it is expected that it will be ready for filing with the I C C and R F C by March 1.

Reference is made to the proposed issuance of securities with which to take up \$62,900,000 bank loans that were made several years ago. This plan calls for two issues, one of \$40,000,000 10-yr. 4% collateral trust bonds, that will be sold publicly; another of \$15,000,000 five-year collateral serial notes, on which the rate of interest will be less than 4%, and which will be sold privately, and a collateral note for \$7,900,000 to one of the banks in the group that made the present loans, to renew the remaining balance of them. Application will be made promptly to the I C C to carry out the terms of the plan.

Evidently New York Central is determined to get these loans out of the way completely, in a comparatively short time, by paying ultimately the amount that they now represent, wholly or largely, out of treasury cash.

Another reason for planning to take up a part of the bank loans through the sale of what is known as "short-term paper"—running for five years—is because of the active and country-wide demand for that class of security.

Still another reason for using this medium is that it will carry a lower interest rate than the longer term issue and will, therefore, bring down the average interest rate for the two issues, which, the writer is able to state, on official information, will not exceed the 4% interest now being paid on the bank loans.

Putting it another way, the New York Central management is planning to change the present bank loans, which

are on a demand basis at 4%, into two short-term issues, without increasing the cost of carrying the obligation and, apparently, to pave the way for clearing them up altogether, out of treasury cash, through a period of only a few years.

When the writer asked a New York Central official recently how the \$27,550,000 maturities of this year would be met, he promptly replied: "Pay them off." When questioned further as to whether this would involve special financing, he as promptly and decisively added, "No." I reminded him also that after the World War and the return of the railroads from government to private control and operation, New York Central cleared up millions of government loans in a surprisingly short time, and asked if he recalled how it was done. "Yes," he said, "just paid them off, without any new financing."

With this determined policy of steadily and rather rapidly reducing debt out of earnings from operations, it can easily be seen that, within a few years, New York Central's capital structure and general financial position will be decidedly stronger than it was at any time during the depression. Even in the worst years, those who were responsible for its management felt absolutely confident of their ability to avoid genuine financial disaster, such as was predicted at times in stock market circles.

The Corner Turned

Now those same men know that the company has "turned

the corner" and is steadily getting on stronger ground in every respect. It may be stated without fear of important contradiction, that their goal for the company is a capital structure and financial position that will not make it necessary, in another possible period of depression, to give first attention to debt, but rather to carrying on and giving service to the public, as in normal times.

With the \$62,900,000 bank loans put on a short term rather than demand basis, as it is planned to do during the coming spring, New York

Central will have only the following short term loans outstanding: R F C, \$11,889,000, which have been extended for five years to 1941; P W A, \$7,000,000, when the amount to apply on this year's outlay for equipment has been drawn down, and Railroad Credit, \$2,400,000, a total of \$21,299,000.

With operating revenues of \$310,192,980 for 1935, New York Central, of course, has a long way to go yet to get back to the figures for 1929 and 1930. As a matter of fact, the management is not aiming at those figures. But, with average operating revenues of around \$30,000,000 a month, or \$360,000,000 a year (they were approximately \$28,000,000 for January of this year, actually \$28,792,066 for October and \$28,275,898 for December of last year), New York Central would be in hailing

(Please turn to page 610)



The Stream-lined Twentieth Century



Wide World Photo

Buses replace trolley cars on Broadway

Bringing the Tax Burden Home

The growing significance of taxes has been aptly brought out in the *Lamp*, published by the Standard Oil Co. (New Jersey). Analyzing the 1934 figures, the latest available, the story is that some \$77,000,000 was levied in taxes on the company's domestic business, or the equivalent of \$2.97 a share of common stock. Management, or all those who obtained \$5,000 or more, took 47 cents a share, while the stockholders got \$1.25 a share. In other words, the owners of the business and the managers received considerably less than the tax collector. Labor got the equivalent of \$6.38 a share. It would appear that there should be a law. . . .

* * *

Better Outlook for Truck Makers

Although there has been no dearth of truck buying over the past year or two, the bulk of the business has been obtained by Ford, Chevrolet and Chrysler. White Motors, Mack Trucks, Federal Truck and several others, which really comprise the truck field proper, have been left pretty much out in the cold. At last, however, these companies seem to have negotiated the turn around which prosperity has so long lurked. Mack Trucks, just having introduced a line of light trucks and buses, has encountered marked improvement in its old heavy-duty line. Mack lost some \$600,000 in the first nine

months of last year, but such was the betterment in the third quarter, that operations in all probability were close to the break-even point for the past three months. So far in this year, the improvement has been sustained. White Motors has had a similar experience; orders received in January were 77% greater than those of January, 1934, while orders booked in the first week of February compared well with those for the whole month of the previous year. Last year, Federal Motor Truck's sales were some 37% over those of 1934. This company, long a potent factor in the medium

er ones, Mathieson Alkali and Commercial Solvents, which had been particularly heavy sleepers, awoke with a start. The improvement in Mathieson Alkali apparently was the result of an earnings statement for 1935 that was better than had been expected. For the year, the company reported a profit equivalent, after dividends on the preferred, to \$1.44 a share of common stock. This compared with earnings of \$1.20 a share in the previous year. In view of the more recent showing, Mathieson's regular dividend of \$1.50 a share is now thought to be well assured. It is possible, indeed, that further improvement in soap, glass, certain textiles and other industries, which are consumers of the company's output, may well be such that before the end of the year stockholders will be hoping for an extra. Commercial Solvents has not as yet reported for last year, but the company is believed to have had a particularly good fourth quarter and

For Profit a

and heavy truck field, recently went "light" with a vengeance and introduced an economical four-cylinder vehicle with a base price for the chassis of \$545 f.o.b. Detroit.

Among the important reasons for the gains being made by the truck manufacturers may be cited the general business improvement, particularly the accelerated gains being made in construction and the heavy industries; the wider use of bus transportation, including the substitution of bus for trolley service. Nor must one forget that a practically universal railroad "collect and deliver" service goes into effect shortly, over the objections of the existing trucking companies. This, over a period of time should have a very favorable reaction upon the sale of heavy trucks.

* * *

Chemicals Resume Advance

The stocks of the chemical companies had been more-or-less dormant for some little time. In recent weeks, however, they have taken a new lease on life. Not only have the big ones such as du Pont and Union Carbide moved up into new high ground, but two of the small-

with earnings for the nine months equal to 61 cents a share of common, as much as \$1 might easily be shown for the full year—in which case, there is a possibility of a modest distribution in excess of the regular 15 cents quarterly that Solvents makes to stockholders.

* * *

1935's Earnings

Activity in the automobile industry certainly helped Detroit Edison; earnings for the twelve months to January 31, this year, were equivalent to \$7.88 a share of common, compared with \$4.30 for the previous twelve months. Plenty of margin for the regular \$4 dividend and further extras would seem to be in order. . . . Union Pacific's earnings off a few cents from the \$6.62 reported for 1934. But the railroad situation is looking up; they have even begun to buy equipment—with abandon, in comparison with the recent past. . . . Allegheny Steel earned \$1.50 in 1935, compared with \$0.99 in 1934. Business: high-alloy steels and the prospect is bright. . . . \$1.37 for American Bank Note last year and dividends for its stockholders. One of these days

new financing is going to get underway with a vengeance, and then watch Bank Note. . . . Briggs Mfg. with \$4.77 for last year came close to the \$5 that had been expected and is cheaper than most on demonstrated earning power. . . . American Can with \$5.83 for last year, against \$6.72 for 1934, did better than the pessimists had feared. Plenty of competition coming, however. . . . Some of it from Owens-Illinois Glass which reported \$6.57, compared with \$5.41 for 1934. . . . Falconbridge Nickel earned 10 cents more than the 43 cents recorded for 1934. Price: about \$9 a share—and a 30-cent dividend, too.

* * *

Cigarettes

January was the seventh consecutive month in which the output of cigarettes established a new record high. This should be helpful to the big tobacco companies. At the same time, they

last year, should do better this, and still better in 1937. Sherwin, Williams, generally conceded to be the largest manufacturer of a strictly paint and varnish line, reported last for the fiscal year ended August 31, when earnings equivalent to \$6.18 a share of common stock was shown. The company's sales last fall were very materially above those of 1934 and this spring's painting season should witness a continuance of the gains. Devoe & Reynolds, reporting for the year ended November 30, 1934, showed \$2.88 on the "A" and "B" common stocks and gave concrete evidence



Nesmith Photo

Big construction firms more active

it and Income

have another advantage in the elimination of the processing taxes. However, the cigarette makers figure their inventory on the basis of a three-year-average. Thus, last year they were operating on 1932, 1933 and 1934 tobacco; this year it will be 1933, 1934 and 1935 tobacco. Now, prices were very low in 1932 and thus, it will be seen, other things being equal, that costs would have risen materially this year. Fortunately, other things are not equal, for the processing taxes have been eliminated, and their elimination will in some degree offset the higher costs at which tobacco this year will be brought into the cigarette companies' production. Less fortunate are the rumors that the Government is to raise the present exceedingly heavy taxes (six cents a pack) paid by cigarettes.

* * *

Paint Makers Should Do Well

The prospect of warmer weather shortly and the thought of stimulated construction activities draws attention to the profitable potentialities that exist in the stocks of paint manufacturers. These companies did comparatively well

of gains actually registered and of those that could reasonably be expected by making the quarterly dividend a "straight" 50 cents instead of 25 cents "regular" and 25 cents "extra." Pratt & Lambert, on which no more recent statement than that for the year 1934 is available, is another member of the group that is expected to do well. National Lead, although it is usually classified as a metal stock, is entitled to a membership in the paint field because its greatest single division comprises lead and other pigments, vehicles and colors.

* * *

Significant Straws

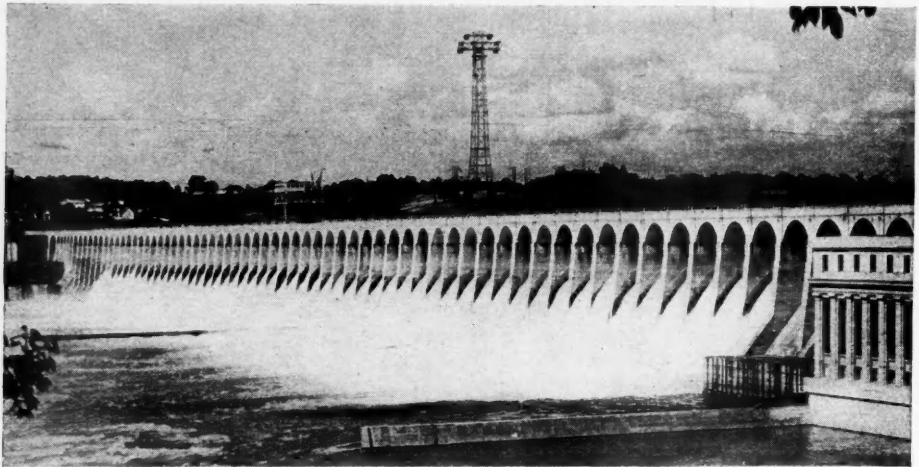
Conclusion reached from the declaration of the regular Telephone dividend the other day is that the directors think that the depression is still with us. Logical step on the basis of the hard-dying rumor that Telephone would not reduce its regular \$9 dividend until the clouds had begun to roll away. . . . Possibilities seen in Firestone's new bel-lows-like automobile suspension. Spring makers reported interested, rather than worried. . . . Precedent established.

Pierce Oil common virtually worthless says company official; so the Stock Exchange suspended an issue that closed at \$1.50 a share the day before. Coming on top of the Middle West Utilities fiasco the search for low-priced bargains seems to have made some people right-down bent upon pouring their money down a sewer. . . . Gulf Oil spurts half-a-dozen points on the news of simplification in corporate set-up.

* * *

The Building Contractors

Based upon the expected increase in construction activity, much has been said of the possibilities to be found in the building stocks—meaning by these, those companies which are producers of building materials. There are, however, a number of companies whose business it is to do the actual building which are almost always omitted from a list of building stocks. These would include the George A. Fuller Co., subsidiary of the United States Realty & Improvement Co., whose prior and second preferred stocks have moved forward almost sensationally in recent weeks; Thompson-Starrett, Starret and Warren Bros. If, as might well be true, building faces almost boom-like conditions, there will be money in the stocks of building contractors, just as there will be money in the stocks of companies manufacturing building materials.



Wide World Photo

Wilson Dam at Muscle Shoals

T V A and the Utilities

Recent Supreme Court Decision Does Not Settle the Basic Issue and There Is No Reason for Investors to Take Fright

By FRANCIS C. FULLERTON

WELL, the first skirmish on the T V A front goes to the Government, for the Supreme Court has upheld its Constitutional right to generate electric power at the Wilson Dam and market it, even though in the marketing the Government was obliged to acquire transmission lines.

Many holders of public utility stocks and bonds became panic-stricken over the ruling and the market values of this class of security has depreciated many millions of dollars since the decision was made public. The reason appears to have been that many investors saw in the ruling complete vindication for the Government in all its far-fetched power policies. As a matter of fact, and despite the opinion of Senator Borah and others that the decision was far-reaching enough to cover all phases of T V A, no such meaning can be ascribed. The majority opinion of the Supreme Court itself says so and minces no words about it.

Nor must the investor in public utility securities forget that before the Government has its way completely with the industry, the Public Utilities Act of 1935—the one sounding the death knell for holding companies—will have to be steered successfully through the highest court of the land. And this particular piece of vindictive New Deal legislation has still a long way and many months to go before it is even presented to the nine justices.

Owners of public utility securities who saw their invest-

ments depreciate rapidly in the days following the decision concerning T V A are justified in taking considerable heart, if, instead of accepting at face value the rejoicings in the enemy camp, they concentrate upon the possible significance of the manner in which the majority opinion of the Court narrowed so carefully the scope of the decision. The more one analyzes the Supreme Court's ruling, the more one becomes convinced that the Government scored no smashing victory over the whole line, but gained only a few miles on a minor sector. By and large, the constitutionality of T V A is still where it was—up in the air. In many ways, the manner of limiting the decision to the narrow case before it should be alarming to those who believe that the Government has the right to rush in, compete with, and ruin, private business whenever it likes. Certainly, it provided no firm basis for spurring the promotion of the T V A-like development of the Columbia Basin, as was actually done. But let us look into the case itself and the Supreme Court's ruling upon it.

The case concerned a suit brought by certain preferred stockholders of the Alabama Power Co. against their own company for the purpose of preventing it from fulfilling the terms of a contract with the Tennessee Valley Authority. Among other things, the contract had to do with the purchase by the Authority of certain transmission lines, substations and other real property from the company, it being

the Authority's intention to employ the lines for the purpose of conveying the energy generated at the Wilson Dam.

The Court had first of all to decide whether the erection of the Wilson Dam itself had been carried out Constitutionally. It decided this in the affirmative on the grounds that the Dam had been commenced in 1916 under war powers, mainly to assure the United States an adequate source of electric power for the production of nitrates. At the same time, the empowering legislation mentioned the possible need for the construction of dams and locks as improvements to navigation. The Court with admirable common sense reasoned that just because something has been constructed for war-time purposes, there was no necessity to allow it to go to wrack and ruin the moment the emergency had passed, or that in order to operate at all it must continue to produce war materials in time of peace. Chief Justice Hughes, however, very significantly pointed out: "We may take judicial notice of the international situation at the time of the Act of 1916 was passed."

Limiting the Decision

Then, having decided that the Government could exercise rightful ownership over the property contained in the Wilson Dam and the right of the Government to dispose of any property owned being well established, the Court argued that water power and electrical energy were likewise "property" of which the Government could dispose should it see fit. The contention that the Government was obliged to utilize the power itself was dismissed as too narrow a limitation upon its activities—ownership of a coal mine did not force the Government to use any coal it might extract exclusively for heating public buildings; nor did Government ownership of a silver mine mean that production could be only for storage or coinage.

Thus, with the establishment of the Government's right to the property and its right of disposal, the Court could find no valid objection to its taking steps to achieve such disposal. Hence, no fault could be found on Constitutional grounds with the acquisition of the transmission lines of the Alabama Power Co. The opinion, however, specifically referred to the contract between the Tennessee Valley Authority and the utility company as a "limited undertaking." From this, one might well conclude that had the transmission lines been more extensive, or had they been more than sufficient to

make reasonable disposition of the power, the Court might have ruled otherwise.

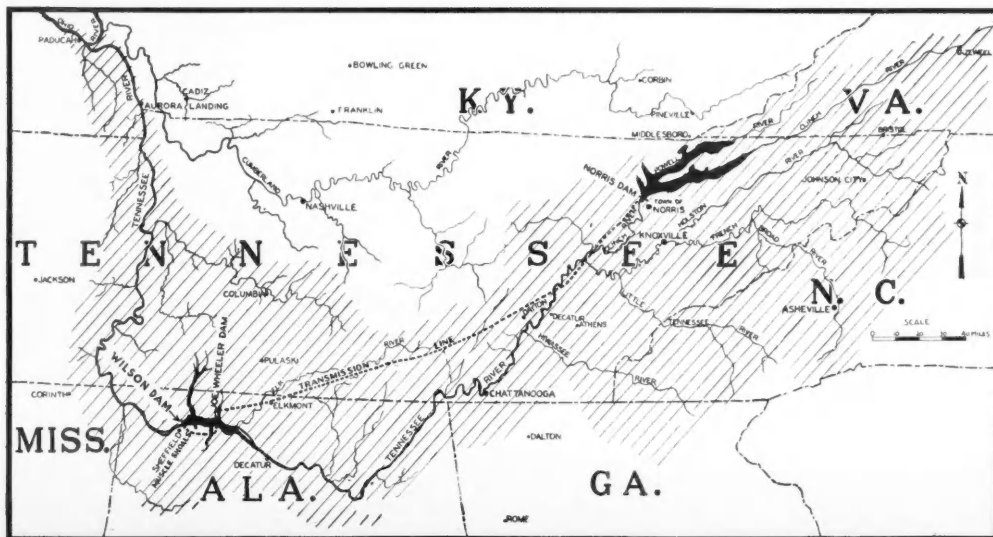
In effect, what the Supreme Court has done is to give its approval to Government ownership of the Wilson Dam, the Government's right to generate electricity there and its right to market such electricity through the particular lines acquired from Alabama Power. What the Supreme Court has not done, as is made very clear in the opinion, is to pass upon the validity of the Norris, or any other dams in the Tennessee Valley. In the Court's own words, it expressed no opinion "as to the status of any other dam or power development in the Tennessee Valley, whether connected with or apart from the Wilson Dam, or as to the validity of the Tennessee Valley Authority Act, or of the claims made in the pronouncements and program of the Authority apart from the questions we have discussed in relation to the particular provisions of the contract of January 4, 1934, affecting the Alabama Power Co."

What Is Surplus Power?

Finally, there was nothing in the opinion of the Court to make one believe that the Government's "yardstick" idea is any less illegal than had previously been thought. The limited right to operate transmission lines is not the same thing as *carte blanche* to operate whole distributing systems and thereby force private enterprise to the wall. It is also to be noted that the war-time justification found for the Wilson Dam obviously is inapplicable to the Norris Dam and the latter, of course, is clearly a project producing far more power than the average man would consider incidental to flood control or the improvement of navigation.

There is, therefore, ample justification for the statement made towards the beginning of this discussion in which the point was made that T V A, so far as the public utility investor is concerned, virtually is as much a matter of doubt as it ever was. There are, however, several suits still pending that may clarify the situation. Among them is one involving T V A, P W A and Birmingham Electric, in which it is sought to prevent communities in Alabama from employing P W A money for the purpose of competing with private utility enterprise. Then there is the contract between T V A and Tennessee Electric Power which was similar to the contract between T V A and Alabama Power,

(Please turn to page 608)



Opportunities in Common Stocks Which Have Not Yet Dis- counted Possibilities

By THE MAGAZINE OF WALL STREET STAFF

Greyhound Corp.

The dominant company in its field, the Greyhound Corp. has evolved from its original acquisition of stock interest in bus lines operating between Chicago and New York, until it has become a nation-wide organization with holdings

Earnings Per Share		Recent	Div.	Yield
1935*	1934	Price		
\$8.00	\$5.68	\$75	None	—

* Estimated.

in many corporations, mostly affiliated, and loosely known as the Greyhound System. A substantial minority interest in the common stock of the corporation is owned by some of the leading railroads and investment trusts.

The corporation definitely established itself as an earner, at the time of its organization, and while it has suffered reactions during the lean business years, there has been only one year in which its operations resulted in red figures. This was 1932, and even then the loss was small, being only about \$10,000.

Since that year there has been a progressively increasing profit margin. In 1933 consolidated earnings were at the rate of \$3.10 a common share. In 1934 they were \$5.68 per share, and for the first nine months of 1935, they were at the rate of \$6.50 a share, with indications that when the final quarter of the year is reported, net for the full year would be in the neighborhood of \$8 a share on approximately 572,846 shares of common outstanding.

There has been a more or less constant increase in the amount of common stock outstanding because of the issuance of such stock in exchange for

the stock of affiliates and the further issuance of shares under a management compensation plan. It is believed, however, that much of the program for major expansion has now been carried out, and it is proposed to split the junior shares 4 for 1, subject to action by stockholders at the annual meeting to be held March 24, 1936. Should the split-up occur, there will then be outstanding 2,389,888 common shares, out of an authorized amount of 3,500,000 shares. The par value will be changed from \$5 to no par. The only issue ahead of the common is one of 32,500 shares of \$7 convertible Preferred "A," and which is now convertible at the rate of three shares of common for one of preferred.

All of the arrears in dividends on the preferred stock have been paid, and the shares are now on a regular dividend basis. There have never been any disbursements on the junior issue, but with the income mounting in the manner of the past three years, and reaching the proportions that it now has, there seems to be much justification for the assumption that there will be a dividend declaration within a short time. In fact, the recent strength in the common shares on the New York Stock Exchange is attributable to the belief that a dividend soon will be forthcoming. The shares at the present time, are selling at only about 9½ times estimated yearly earnings.

The excellent record of Greyhound, its strong sponsorship—six of its operating lines being jointly owned with railroads—and its present earning capacity, are all favorable factors which coupled with the anticipation of a nearby dividend payment, are factors conservatively appraised marketwise. All in all, the shares commend themselves as a worthy speculative vehicle.

Caterpillar Tractor Co.

Caterpillar Tractor Co. went far ahead in earnings, in 1935, when such earnings are compared with those of the previous year. The preliminary report for 1935 shows a net income equal to \$3.16 a share on its 1,882,240 shares

Earnings Per Share		Recent	Div.	Yield
1935	1934	Price		
\$3.16	\$1.94	\$70	\$2.00 (e)	3.0%

(e) Incl. extras.

of no par common stock, against \$1.94 a share in 1934. Consistent with the company's policy of passing on a large portion of its earnings to stockholders, the directors declared extra dividends of \$1 during 1935, which, added to the regular disbursement of \$1 made total dividend payments for the year of \$2 a share.

Another policy of the company, which keeps its stockholders informed of current conditions, is the making of monthly reports, a plan which might well be followed out by other concerns whose stocks are so largely in the hands of the public.

Caterpillar's excellent showing in 1935 can be attributed largely to two things. First was the improvement in farming conditions which enabled the company to increase the sales of its products, and secondly was the fact that in 1934 the company, anticipating payment, which would have been due in 1935, redeemed \$5,090,000 of its 5% convertible notes, the balance of an original issue of \$10,000,000. This left the company with no funded debt or obligations of any sort except current accounts payable and reserves for taxes.

That the payment of these notes in

advance did not impair the company's financial position is shown by the fact that at the close of 1935 its working capital was \$22,244,000, compared with \$19,921,000 at the close of the previous year, while its latest cash item was \$3,422,000, against \$3,241,000 on December 31, 1934.

Caterpillar long has been noteworthy for efficiency of management. This has been reflected in large earnings, in all but the lean years, and in the past decade there have been only two years in which deficits were recorded. While dividend reductions were made during the depression, there has not been a single year in the last ten in which some distribution in dividends has not been made on its outstanding stock.

The company has a commanding position in its field. It engages in the manufacture of track-type tractors, a field in which it owns important basic patents, and has been instrumental in developing the Diesel engine for powering this type of machine. It produces gasoline engines, road graders and road maintenance machines. From road building and maintenance and construction work its business is very heavy, and other fields for its operations are logging, oil, railroads, mining, quarrying, public utilities, internal plant transportation, etc. It also has a substantial return from direct business with Federal and state agencies. Its scope is not only nation-wide, but has been extended to many foreign countries.

At the current price of the stock of Caterpillar on the New York Stock Exchange the nearby possibilities probably have been taken into consideration. However, the yield is sufficient, in these days of low yields, to make the stock attractive and the improving trend in general business, as well as strong indications that the agricultural purchasing power will register further gains this year, the shares combine price appreciation and increased dividend possibilities in a favorable measure.

Ludlum Steel Co.

Actuated by increased earnings, and indications that the current improvement in business would continue, the directors of the Ludlum Steel Co. declared on January 7, 1936, a dividend of 25 cents a share on the common stock, the first distribution on this stock since a payment of 50 cents was made on July 1, 1930. The latest dividend was made payable February 15, 1936.

Earnings for the first nine months were reported as \$1.15 per share and it is estimated that for the full year of 1935 earnings were in the neighbor-

hood of \$1.50, which would compare with 78 cents a share in the previous year, and with deficits on this stock for the previous five years.

This company specializes in the production of alloy steel products, and is somewhat unique in that most of its sales are in comparatively small lots. Its chief customer is the automobile industry, while other buyers are manufacturers of machine tools, makers of building specialties, oil refiners and

Earnings Per Share	Recent Price	Div.	Yield
1935* 1934			
\$1.50 \$0.78	\$32	\$0.25	—

* Estimated.

chemical producers. Since all of the various lines have shown gains in trade, these gains have been reflected in the business of Ludlum. The company's sales of stainless steel have been lifted during the past year, while demand for steel hardened for resistance against extreme heat, has picked up measurably.

Ludlum has no funded debt, and only 44,290 shares of no par, \$6.50 cumulative convertible preferred, ahead of 202,155 shares of \$1 par common stock. All of the old accumulations in dividends on the preferred were wiped out, in 1933, by an exchange of old \$1 preferred shares and a new conversion privilege whereby each share of new preferred could be exchanged for five shares of common. On March 16, stockholders will vote on a proposal to retire all of the outstanding preferred stock at 110. It is also proposed to issue 42,250 additional shares of common stock at a price to be determined later. Stockholders will be given the privilege of subscribing to the new common stock. Proceeds derived from the sale of the common will be applied toward the redemption of the preferred shares (all of which will doubtless be converted) and the payment of the balance due against the purchase of the Wallingford Steel Co. Any balance will be applied toward increasing working capital. Following this proposed financing, the company will have only a single class of stock outstanding, and the common will have sole claim on earnings.

The change, in 1934, from a deficit to a profit, was quite marked, and presaged further improvement as the industries on which the company depends continued to show increasing sales. This promise, as already pointed out, was borne out in 1935, and there seems reason only for optimism for the company's near future.

In a previous amendment plan filed with the SEC it was stated: "It is the

belief of the management that continuation of our present favorable earnings for any considerable period, will meet all current obligations, including the payment of dividends to preferred stockholders, and leave a substantial balance. We must, in such case, recognize a moral obligation to provide some return on investment of our common stockholders."

During 1936 it is believed that the company's earnings will be augmented through returns from the operation of the Wallingford Steel Co., which was acquired by Ludlum in 1935. This latter company is, itself, a consumer of the products of Ludlum, and should provide a wider distribution for the parent company's materials.

The common shares of Ludlum Steel provide only a meager dividend return on the basis of recent quotations. They already have scored a substantial gain since the first of the year, but with present prospects strongly favoring a further expansion in the company's earnings, the shares would seem to possess interesting speculative possibilities.

Pullman, Inc.

Pullman, Inc., closed the year 1935 with a loss. The final figures have not been made available, but it seems safe to assume that the net loss will be at least as much as was shown in the report for the first three quarters of 1935.

Earnings Per Share	Recent Price	Div.	Yield
1935* 1934			
Nil \$0.77	\$48	\$1.50	1%

* Estimated

which was slightly more than \$500,000, and compared with a net profit of \$2,462,000 for the same period the previous year.

It is reported that the manufacturing end of the company's business improved somewhat during the final quarter of the year, but not enough to overcome the previous deficit. This branch has been the one that has been the least productive of results recently, though the transportation end has not held up as well as in former years.

Pullman's reaction from the gains of the previous year was due largely to its expensive program of air conditioning of its cars, and to less car building. Naturally, it is expected that later results will be beneficial, but the immediate cost of this work, in which about 2,000 cars were air conditioned, told heavily in the 1935 operations. Depreciation charges set up for the sub-

stantial investment in the conditioning program, together with maintenance costs, rose more than \$5,000,000 in the first 11 months of 1935, thus more than offsetting a gain of about \$4,000,000 in gross revenue.

With the bulk of the expense behind it the company may look forward to better results in the current year. Already there have been some very substantial orders for cars and equipment. Pullman's manufacturing business, since many of the railroads have been teetering on the edge of bankruptcy, or already have taken the plunge, is of the "feast or famine" sort, but it now appears probable that the company is about to enter the former phase. In his recent annual message to employees, D. A. Crawford, president, stated that there had been "recorded some measure of recovery in the volume of our business, and the prospects for 1936 indicated continued improvement in that regard."

Because of the losses in 1935 the company cut its dividend rate by a payment, in November, 1935, of 37½ cents, as a quarterly distribution, which was one-half of the rate that had been maintained since November, 1931.

The depression cost Pullman about \$6,500,000 in losses, but it was able to withstand them by reason of the strong financial position which it had built up during the years of prosperity. During the past few years the company has been enlarging and improving its manufacturing facilities so that it is now most prominent in this field, and under more favorable conditions this branch should account for about two-thirds of the company's gross revenue. In order to meet the competition of buses and of the airplane the company has been expending, as already pointed out, large sums in providing new comforts for the traveling public. Expenses for this are now largely "water over the dam," since a heavy recurrence is not to be anticipated. Carrier business may be expected to expand if the proposed reduction in Pullman car surcharges is made to apply generally. The beneficial effect already has been demonstrated in western sections of the country. Moreover, it is encouraging to note an increasing willingness on the part of railroads to place orders for long deferred needs for new rolling stock and equipment.

Pullman seems on the upgrade, despite the 1935 reversion to deficits. The stock, on the New York Stock Exchange, evidently represents the company's current position, but should the anticipated improvement occur, the company's strong financial structure and its dominant trade position should augur well for further price enhancement.

Borg-Warner Corp.

Although the Borg-Warner Corp. was among the first in earnings performance in 1935 of the companies engaged in the manufacture of automotive parts, it has so diversified its activities that it also ranks well in other lines of business.

Earnings Per Share		Recent Price	Div.	Yield
1935*	1934			
\$5.25	\$3.06	\$80	\$2	2.5%

* Estimated.

ness. Besides automobile equipment, it now engages in the production of electric and gas ranges, electric refrigerators, oil burners, air-conditioning units and stainless steel products.

While the boom in the automobile industry naturally was a big aid to Borg-Warner, it did not account for all of the substantial gains that were made by the company. For example the Norge division of the company, originally manufacturing electric refrigerators, but which now is also producing air-conditioning equipment for homes, oil burners and kitchen ranges, reported dollar sales in 1935 as about 60% more than they had been in the previous year.

With the final quarter of 1935 still to be reported, it is estimated that the net income of Borg-Warner, for the full year of 1935 was better than \$5 a share, on the common stock, which would compare with \$3.06 per share in 1934, and would be the largest per-share earnings since those of 1929. The improvement in 1935 over 1934 can best be judged when it is understood that the 1934 net was about three times the earnings in 1933, and that in 1932 there had been an actual deficit, the first the company had sustained. Indeed, so marked was the gain that the dividend rate on the common stock was increased in 1935, from 37½ cents to 50 cents quarterly.

Borg-Warner has no funded debt, but there was an obligation of \$825,000 of the Morse Chain Co., a subsidiary, which was called for payment in 1935. Ahead of the 1,150,932 shares of common stock outstanding, of a par value of \$10, there is a small amount of 20,000 shares of \$100 par, 7% cumulative preferred stock. The latter stock is being retired rapidly, and probably will be entirely eliminated within a short time.

Borg-Warner has a strong financial structure. Balance sheet as of September 30, 1935, showed a net working capital of \$16,539,000, an increase of more than \$1,000,000 over the amount reported on the same date the previ-

ous year. Cash and equivalent were \$11,538,000 which was more than two times all current liabilities.

This company has expanded greatly since it was organized as a holding corporation in 1928, and while probably the expansion program will be slowed down in the future, there is now enough diversification to reduce the company's measure of dependence on any one business activity. Expansion, where success is achieved, is a mark of managerial foresight, hence none can deny the efficiency of the personnel that is responsible for the company's present dominant position in several branches of business. There can be no expectation that the rate of improvement in the next year will be as notable as it has been in the past two years, which represents the emergence of the company from the trough of the depression, but every present indication points to a continuance of activity, especially in the automotive and the air-conditioning fields and to income return largely in excess of dividend requirements.

Such expectation gives to the common stock of Borg-Warner further investment-speculative attraction, even though it might appear that near-term prospects already have been anticipated in the current price for the shares.

Seaboard Oil Co. of Delaware

While earnings of Seaboard Oil Co. of Delaware, successor to the Mexican Seaboard Oil Co., have been somewhat erratic in the past, frequently moving contrary to the general trend in business, the past several years have witnessed what appears to be a better sta-

Earnings Per Share		Recent Price	Div.	Yield
1935*	1934			
\$1.32	\$1.11	\$36	\$1.00 (e)	2.7%

* Estimated. (e) Incl. extras.

bilization, and it seems apparent that one can figure the company's possibilities with a closer degree of accuracy than was the case in the past.

Seaboard is a holding company, whose subsidiaries operate in California and Texas in this country and in Mexico and Venezuela. It is a producer only and as such has large reserves which give it promise of a long life in the business of selling both crude oil and natural gas.

During the period when other companies were generally reaping large profits—in the pre-depression days—Seaboard operated for several years

(Please turn to page 600)

Taking the Pulse of Business

- Activity in Temporary Dip
- Steel Production Up
- Copper Stocks Higher
- Rail Equipment Outlook Better
- Utility Earnings Improve

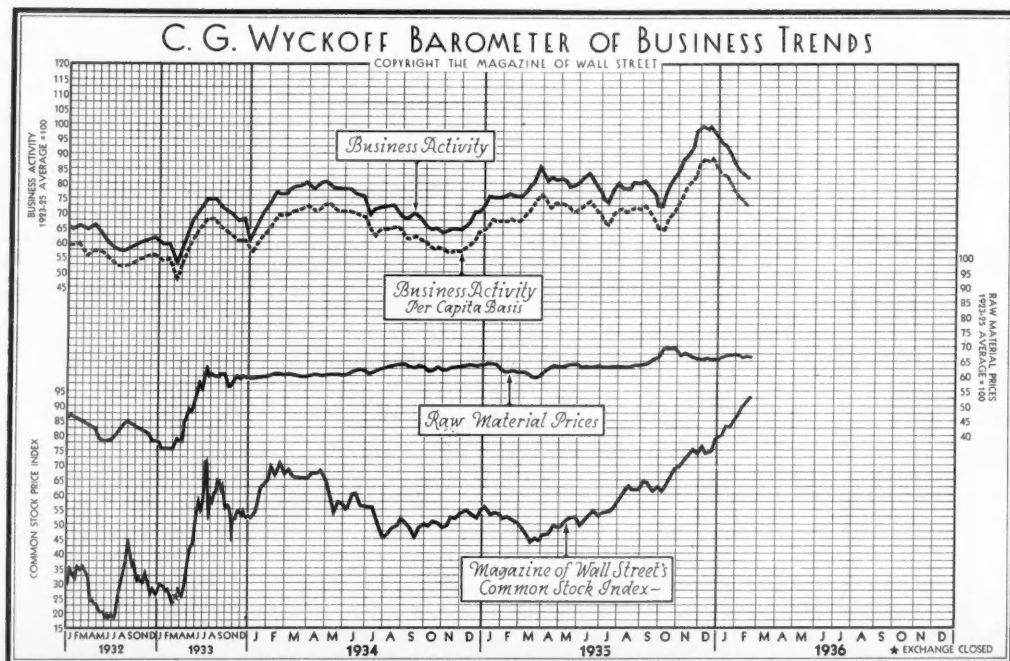
ADVERSE weather conditions throughout the country during the past fortnight have continued to hamper many lines of business, including retail trade, motor car sales, meat packing and textiles. In addition, a number of industries are of course feeling the effects of the temporarily marked reduction in automobile assembling which is a natural aftermath of the unseasonably heavy output last November and December. Coal and lumber shipments, on the other hand, have picked up at a somewhat greater than seasonal rate, as have steel mill operations because of better demand from the railroads. The net result of these conflicting trends has been a further recession in the Business Activity index to around 83% of the 1923-5 average. On a per capita basis this is equivalent to about 73.5% of normal, which is still nearly 9% better than last year at this time, but more than 17% below the December peak.

There are good reasons for believing, however, that the bottom of this brief setback has already been reached and that, in our next issue, we shall be able to report a resumption of the recovery movement. Orders for rails and equipment are expected to gain momentum as the year progresses, the spring building season is not many months off, and motor car production must be stepped up in the near future to prepare for the customary spring expansion in sales. All that is missing now to bring business back to normal is a healthy revival in foreign trade and in the construction industry. The latter is already on the way and should eventually

swell to large proportions in compensating for the potential housing shortage created by five years of abnormally low construction and an expanding population. Foreign trade, however, is not likely to revive with much vigor un-

til war fears subside in Europe. Nevertheless, natural economic forces making for recovery are at present so potent that business activity seems almost certain to improve considerably this year in spite of lagging foreign trade and the uncertainties of a heated election campaign. As to the latter, it appears from a review of history that only once in the past forty years has it been possible honestly to ascribe business stagnation to a presidential election. This one exception was the Bryan free-silver campaign of 1896. During five out of the past nine presidential years business actually staged improvement.

That recent business losses are attributable to purely temporary disturbances is strongly suggested by recently released trade reports for January which include a gain of nearly 100% in General Motors' sales of cars to domestic consumers and in the number of stations gained by the Bell System, a 10% increase over the previous January in rural sales of general merchandise, an 8% expansion in chain store sales, and a 7% improvement in department store trade. Amounts saved for net, moreover, were probably somewhat larger than these figures would indicate, since retail prices have risen meanwhile nearly 2%. On the other hand, new life insurance written in January was off more



than 17%, owing chiefly to a 25% drop in ordinary life policies; while group insurance was up 50%. In the capital goods field activity was especially encouraging, with the amount of new corporate capital raised through flotation of securities mounting to 65 millions, against only 11 millions for the previous January; while new construction contracts in 37 States east of the Rockies registered a gain of 105%, with machine tool orders up 70%.

Our Raw Material Price index has recovered fractionally under leadership of somewhat better prices for corn, rubber, silk, copper and tin. Despite a mild reaction in the Utility group following the Supreme Court's decision upholding the TVA, our Common Stock Index has advanced to new heights for the recovery, with special strength in the steel, railroad and equipment groups. This is in line with the present optimistic mood of investors.

The Trend of Major Industries

STEEL—Heavier demand for rail equipment and structural steel, along with capacity operations at eastern ship-building yards, has helped to replace losses in business from the automotive industry; so that the steel ingot rate has been rising at a little better than the usual seasonal rate and is now slightly higher than a year ago at this time. While price concessions in bars, sheets and strip are at the moment rather general—owing to the prospective increase in capacity—it is possibly significant that producers are unwilling to cover large automotive buyers for the remainder of the first half year until second quarter quotations are announced. Conspicuous strength in scrap of recent weeks is in large measure due to bad weather conditions which have prevented the metal from coming out in sufficient volume to supply the needs of melters. Confidence in the future is indicated by present plans of the industry to spend 200 millions on expansion and modernization this year, an increase of \$60,000,000 over 1935.

METALS—Failure of other producers to meet the recent advance to 9½ cents by Anaconda and Phelps-Dodge in the price of copper may be partly explained by the considerable rise in output last month, which has brought world stocks of the red metal up to a somewhat higher level than was reported a year ago. World consumption in 1935, however, showed a 15% gain over 1934; but was 14% below the peak year, 1929. Zinc consumption in 1935 exceeded production, and stocks at the end of January were 30% lower than at the corresponding date in 1935. Although domestic imports of silver in January were valued at a little more than December imports Treasury purchases of the metal merely sufficed to hold the price steady at 44¾ cents. According to a recent announcement, 908,000,000 ounces of silver remain to be acquired in order to bring the Treasury's stock up to one-third of

the gold stocks, although the proportion of silver to gold is now 21.8%, compared with only 12% when the program started.

PETROLEUM—Snow and ice continue to curtail consumption of motor fuel, and inventories have risen to 10% above a year ago. The rise, however, is about equal to the rate of gain in normal consumption and so can not be regarded as alarming. Crude inventories are still well below last year, and fair progress is being made toward checking the excessive output in California, with efforts now concentrated upon bringing the smaller independents into line.

RAILS AND EQUIPMENT—From present indications it seems likely that Class I carriers, as a whole, may earn a little more than fixed charges during the first quarter, against an aggregate deficit of 45 millions after charges during the first quarter of 1935. Encouraged by this improvement and the strong bond market, the R F C has decided to withdraw from the business of helping to finance equipment purchases. Demand for modern cars and locomotives will become urgent if freight traffic continues to expand, and there seems little doubt that some of the stronger roads will be able to float equipment notes at attractive rates in the not distant future.

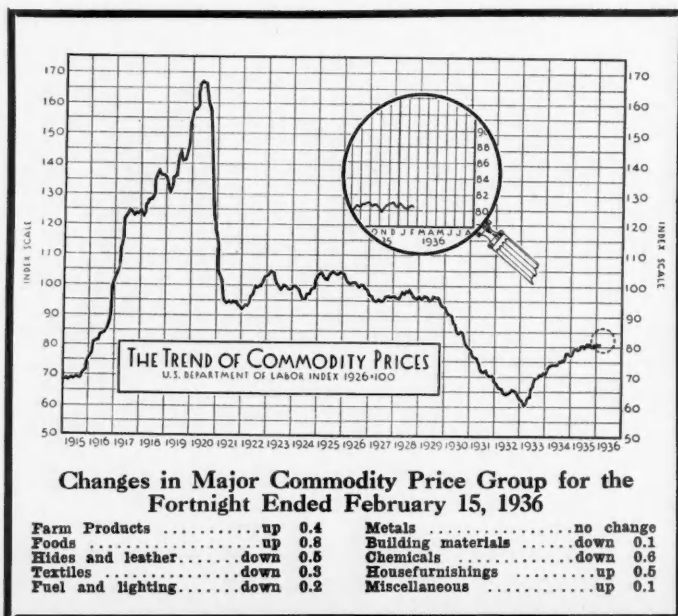
AIRCRAFT—Although Congress has voted to limit profits on Government purchases of aircraft to 10%, the growing volume of business from both Government and private sources appears to assure fair profits for the industry for some years to come.

UTILITIES—Despite lower rates, and higher operating costs and taxes, 21 leading utilities last year earned 10% more than in 1934, after charges. Prospects for the industry are still clouded, however, by uncertainties as to constitutionality of the Holding Company Act and threats of wider competition from the Government.

Conclusion

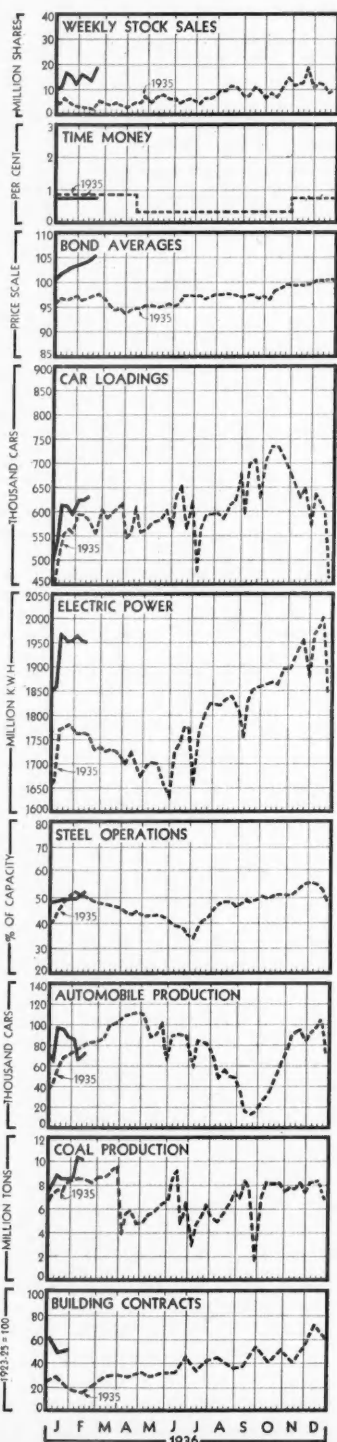
The Common Stock Index, by forging ahead to fresh recovery heights despite the recent sharp business recession and in the face of an adverse T V A decision, is

obviously reflecting the widely held belief that a presidential election year can not interfere materially with the powerful economic forces which are now pushing the country onward toward further recovery. This conviction appears to be well confirmed by the recent expansion in retail trade and the very conspicuous improvement in capital goods industries. A distinct pick-up in steel demand from the railroads is now beginning to appear and, although revival in foreign trade is likely to be slow, the construction industry appears to be entering upon a long period of prosperity.



The Magazine of Wall Street's Indicators

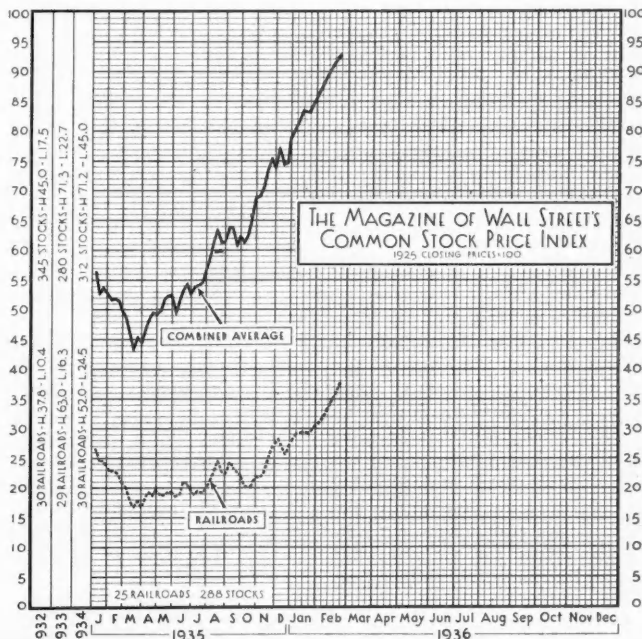
Business Indexes



Common Stock Price Index

1935 Indexes					1936 Indexes				
High	Low	Close	Number of Issues	(1925 Close=100)	High	Low	Feb. 8	Feb. 15	Feb. 22
78.6	43.0	78.4	295	COMBINED AVERAGE	92.8	78.4	89.6	91.2	92.8H
119.5	64.1	113.4	5	Agricultural Implements	145.2	113.4	143.6	134.9	145.2H
41.9	17.8	41.6	6	Amusements	50.8	41.6	49.4	50.6	50.8
116.9	44.6	116.9	14	Automobile Accessories	137.0	116.8	126.1	131.1	137.0H
17.7	8.8	17.7	13	Automobiles	24.2	17.7	20.4	21.7	24.2
108.2	41.3	108.2	7	Aviation (1927 Cl.—100)	128.1	104.3	120.6	124.7	128.1H
14.7	7.9	14.7	3	Baking (1926 Cl.—100)	17.6	14.6	15.0	15.9	17.2
325.0	184.9	318.6	2	Bot. & Cks. ('32 Cl.—100)	358.8	318.6	358.8H	357.5	355.3
209.9	113.7	209.9	3	Business Machines	250.2	209.9	246.2	250.2H	246.0
316.6	226.1	287.4	2	Cans	287.4	256.7	264.2	258.7	256.7
202.7	144.6	195.6	8	Chemicals	211.9	195.0	198.8	205.3	211.9
42.8	22.6	42.8	10	Construction	59.2	42.8	54.1	56.0	59.2H
88.6	35.7	87.9	6	Copper & Brass	110.0	87.9	101.8	109.0	110.0H
39.3	27.5	39.3	2	Dairy Products	42.0	39.3	42.0	41.4	41.6
26.6	16.0	23.5	9	Department Stores	24.8	23.5	24.2	24.3	24.8
87.6	56.1	85.8	7	Drugs & Toilet Articles	98.2	85.8	98.2H	98.2	94.4
270.0	211.2	231.8	2	Finance Companies	248.0	227.2	248.0	241.3	242.0
66.2	51.8	62.0	7	Food Brands	70.1	62.0	69.3	68.7	70.1
56.4	45.2	47.1	4	Food Stores	50.3	47.1	49.1	49.6	48.2
65.7	32.1	65.7	3	Furniture & Floor Cover.	69.4	65.7	69.4	67.5	68.1
1209.7	990.2	1116.0	3	Gold Mining	1296.9	1116.0	1242.2	1250.0	1228.2
46.8	35.3	46.8	5	Household Equipment	50.4	46.8	50.4H	49.8	50.1
38.7	17.0	38.3	5	Investment Trusts	45.3	38.3	44.3	45.3H	45.0
359.0	223.6	323.8	2	Liquor (1932 Cl.—100)	323.8	296.9	297.1	302.5	317.3
139.0	65.1	139.0	9	Machinery	157.3	136.5	155.5	157.3H	156.1
67.3	35.0	65.9	2	Mail Order	65.9	61.3	65.3	64.7	63.5
63.0	34.5	62.4	4	Meat Packing	83.9	62.4	83.9	80.7	83.2
183.6	109.4	169.5	10	Metal Mining & Smelting	191.0	168.3	182.9	191.0H	184.5
97.2	51.3	97.2	24	Petroleum	116.8	97.2	116.3	113.5	116.8H
67.2	23.0	67.2	18	Public Utilities	82.6	67.2	79.3	82.6	74.6
33.0	15.9	31.5	3	Radio (1927—100)	34.5	31.5	33.2	34.4	34.5H
55.7	29.3	55.7	8	Railroad Equipment	73.8	55.7	66.6	67.1	73.8H
28.8	16.5	27.3	24	Railroads	27.6	27.3	33.7	35.3	37.6
16.8	5.2	16.1	3	Realty	22.9	16.1	21.3	20.3	22.9H
76.4	28.5	76.4	3	Shipbuilding	87.0	75.8	87.0H	85.4	85.0
88.1	37.6	88.1	11	Steel & Iron	110.7	88.1	96.8	107.3	110.7H
30.4	21.1	30.4	5	Sugar	36.8	29.8	35.2	34.7	36.8H
153.6	122.6	153.6	2	Sulphur	175.6	153.4	173.2	172.6	172.2
78.3	34.2	77.5	3	Telephone & Telegraph	97.4	77.5	91.5	97.4H	96.8
73.5	34.7	70.5	8	Textiles	81.4	70.5	75.9	81.3	77.9
10.6	6.0	10.6	4	Tires & Rubber	13.9	10.6	13.7	13.9	12.1
101.8	77.2	96.5	4	Tobacco	100.2	94.2	100.0	97.7	94.2
85.4	51.0	72.1	4	Traction	76.2	70.3	72.9	73.7	76.2
282.8	219.7	259.5	4	Variety Stores	267.8	253.8	267.8	262.3	260.2

H—New HIGH record since 1931.



(An unweighted index of weekly closing prices; compensated for stock dividends, splits, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities*.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

DEVORE & RAYNOLDS CO., INC.

I am only about even on 100 shares of Devore & Raynolds. Reports have it that this company's sales are increasing, but I am disappointed that this hasn't been reflected in the earnings or the marketwise action of this stock. Do you still consider this issue favorably—would you advise holding?—L. S. S., Los Angeles, Calif.

You have been correctly informed to the effect that the sales of Devore & Raynolds Co., Inc., have been increasing and, moreover, earnings have also increased at an even faster rate, according to the report for the fiscal year ended November 30, 1935. Sales increased 13.6%, but earnings were up 15.3%. Net income for the fiscal year was \$530,063, equal after dividends on the 1st and 2nd preferred stocks, to \$2.88 a share on the combined class A and B common stocks. This compared with \$459,513 or \$2.36 a share on the combined common stocks for the 1934 fiscal year. At a recent meeting, the stockholders approved of the plan for retiring all of the 7% cumulative 1st preferred stock at \$115 a share and accrued dividends on April 1, 1936. This action will reduce the capital structure of the company to 8,940 shares of 7% cumulative 2nd preferred and the 135,000 no par shares of combined class A and class B common. Obviously, this will leave a larger proportion of net income in the future for the remaining preferred and common stocks. The direc-

tors also have placed the common stock on a regular \$2 annual basis, whereas previously the stock had been paying \$1 regular and \$1 extra. The financial position fully justifies the dividend policy, since current assets on November 30, 1935, were \$6,443,177, including \$1,618,279 cash, while current liabilities were only \$555,701. The company has developed new materials and a new process of house painting by which a finished job is done in two coats. The method is based on a new treatment of linseed oil in such a manner that the first coat of paint seals the surface pores of the wood, laying a smooth, non-cracking foundation. On this foundation, the second coat is laid, including a new pigment that is said to resist successfully the destructive effects of the ultra-violet rays. With this pigment, it is said that a greatly-improved white is obtained which is several shades whiter than ordinary paint. Thus, a better job is done in less time.

With both sales and earnings increased, finances exceptionally strong, regular dividends placed on a higher basis and important improvements in the products sold, reflection should be seen in the market action of the class A and class B common stock of Devore & Raynolds, toward which we continue to maintain a favorable attitude. Hence, further retention of your holdings is recommended.

CONTINENTAL INSURANCE CO.

Do you look for an upward revision of the \$1.20 dividend for Continental Insurance? I am holding 150 shares, bought at 30¼ in 1935, and I am wondering whether to hold or to switch to a more active issue.—G. W. P., Seattle, Wash.

Although the basic dividend rate of Continental Insurance remains at \$1.20 a share annually, there was an increase in the special dividend paid last January in the amount of 25 cents a share, compared with 15 cents a year before. Further gains in earnings and financial improvement may be reflected in a similar manner in the future. For the year ended December 31, 1935, Continental Insurance reported income of \$19,354,799 from premiums and of \$3,118,645 from investments. Profit on sale of securities and unrealized appreciation in the securities held brought total income up to \$36,504,153 and surplus was increased to \$57,493,845 at the end of the year. The equity of the stockholders was equal to \$36.10 a share, compared with \$27.87 at the end of 1934. Of the total assets of \$88,173,881, which were the largest since 1930, stocks and bonds owned were carried at \$80,522,446 at convention valuations, but market values as of December 31, 1935, were \$82,596,817. A large part of the company's portfolio consists of common stocks, giving the company the benefit of the enhance-
(Please turn to page 597)

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THE WEEKLY BULLETIN

Our weekly bulletin of eight pages is mailed every Tuesday. It contains continuing tables as to the proper action to take on the issues selected by our market technicians; also, concise and up-to-the-minute reviews of the Technical Position of the Stock Market, the Business Outlook and many informative charts and tables. Special editions with definite recommendations are frequently mailed during the week.



TELEGRAPHIC SERVICE

Telegraphic Service is available on our three active market programs — Trading Advices, Bargain Indicator and Unusual Opportunities. Clients throughout the country can act on our recommendations within a few minutes after they are selected and take advantage of important intermediate swings. No extra charge except the actual cost of wires. Messages are worded in our Private Code and confirmed by mail the same day.

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THE TVA has been upheld and thus a great bugbear that threatened the market for months, has been dissipated. Stock prices shivered slightly as the worst was announced and then confidently resumed their upward climb.

This test proves that expansion is definitely in progress and we may look for continued strength in the stock market. It is true that certain stocks have already discounted much of their favorable prospects and these may be closed out. But there are many which are still selling far under their intrinsic worth. Purchase of such selected issues is definitely indicated.

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Feb. 29

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ANOTHER BARGAIN STOCK

On December 30th we selected SPERRY CORPORATION as a bargain stock. It was then selling at 18½. January 29th it sold at 23½—a gain of 48%. This is an unusually large profit to make in a month, but it demonstrates what can be done even under trying circumstances.

We have selected another issue which, in some respects, looks better than SPERRY. It is a stock in which you might, in the months ahead, secure greater-than-normal profit. It is an issue in which we have great confidence. It is selling around \$12 a share. It is listed on the New York Stock Exchange.

The name of this stock will be sent to you absolutely free. Also an interesting booklet, "MAKING MONEY IN STOCKS." No charge—no obligation. Just address:

INVESTORS RESEARCH BUREAU, INC.
Div. 839, Chimes Bldg., Syracuse, N. Y.

BAYUK CIGARS INC. PHILADELPHIA

A quarterly dividend of 1¼% (\$1.75 per share) on the First Preferred stock of this corporation was declared payable April 15, 1936, to stockholders of record March 31, 1936.

A dividend of seventy-five cents (75¢) per share on the Common stock of this corporation was declared payable March 15, 1936, to stockholders of record February 29, 1936.

Checks will be mailed.

February 14, 1936.

John O. Davis
Secretary

New York Stock Exchange

Rails

	1934		1935		1936		Last Sale 2/19/36	Div'd \$ Per Share
A	High	Low	High	Low	High	Low		
Atchison	73½	45½	60	35½	76½	59	74½	12
Atlantic Coast Line	54½	24½	37½	19½	34½	29	32½	1
B								
Baltimore & Ohio	34½	13½	18	7½	22½	16½	22	2.50
Bangor & Aroostook	46½	35½	49½	36½	45½	41½	45½	3
Brooklyn-Manhattan Transit	44½	28½	46½	36½	46	40½	44½	3
C								
Canadian Pacific	18½	10½	13½	8½	16	10½	15½	3
Chesapeake & Ohio	48½	39½	53½	37½	74½	59	71½	3
C. M. & St. Paul & Pacific	8½	2	3	1½	2½	1½	2½	1
Chicago & Northwestern	15	3½	5½	1¾	4¾	3½	4	1
Chicago, Rock Is. & Pacific	6½	1½	2½	¾	3	1½	2½	1
D								
Delaware & Hudson	73½	35	43½	23½	50½	36½	49	1
Delaware, Lack & West	33½	14	19½	11	20½	15½	19½	1
E								
Erie R. R.	24½	9½	14	7½	16½	11½	15½	1
G								
Great Northern Pfd.	32½	12½	35½	9½	42½	32½	41½	1
H								
Hudson & Manhattan	12½	4	5½	2½	5½	4	5½	1
I								
Illinois Central	38½	13½	22½	9½	28½	19½	27½	1
Interborough Rapid Transit	17½	8½	23½	8½	18½	16½	16½	1
K								
Kansas City Southern	19½	6½	14½	3½	22	13	21½	1
L								
Lehigh Valley	21½	9½	11½	5	11½	8½	10½	1
Louisville & Nashville	62½	37½	64½	34	74½	57½	71½	1
M								
Mo., Kansas & Texas	14½	4½	6½	2½	8½	5½	8½	1
Missouri Pacific	6	1½	3	1	4	2½	3½	1
N								
New York Central	45½	18½	29½	12½	40½	27½	39	1
N. Y., Chic. & St. Louis	26½	9	19	6	21	17½	31	1
N. Y., N. H. & Hartford	24½	6	8½	2½	5½	4½	5	1
N. Y., Ontario & Western	11½	4½	6½	2½	7½	5½	6½	1
Norfolk & Western	187	161	218	158	232	210	232	1
Northern Pacific	36½	14½	25½	13½	34½	24½	33½	1
P								
Pennsylvania	39½	20½	32½	17½	37½	31½	37	1
Pere Marquette	38	12	34½	9½	35½	29	35½	1
Pittsburgh & W. Va.	27	10	26	6½	28	21	30½	1
R								
Reading	56½	35½	43½	29½	45	35½	43½	1
S								
St. Louis-San Fran	4½	1½	2	¾	3	1½	2½	1
St. Louis-Southwestern	20	8	14	7¾	12¾	7¾	11½	1
Southern Pacific	33½	14½	25½	12¾	38½	23½	37	1
Southern Railway	36½	11½	16½	5½	20½	13½	19½	1
T								
Texas & Pacific	43½	13½	28½	14	41½	28	39½	1
U								
Union Pacific	133½	90	111½	82½	130	108½	128	1
W								
Western Maryland	17½	7½	10½	5½	11½	8½	10½	1
Western Pacific	8½	2½	3½	1½	4	2½	3	1

Industrials and Miscellaneous

	1934		1935		1936		Last Sale 2/19/36	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
A								
Adams-Millie	34½	16	37½	38	35½	33½	35	2
Air Reduction	113	91½	173	104½	194	168½	186½	3
Alaska Juneau	23½	16½	20½	13½	17½	15½	15½	*.60
Allegheny Steel	23½	15	32	21	39½	30½	37½	1
Allied Chemical & Dye	160½	115½	173	125	170½	157	165	6
Allis Chalmers Mfg	23½	10½	33½	12	47½	35½	43½	1
Alpha Portland Cement	20½	11½	23½	14	23½	20½	22½	1
Amerada	55½	39	80	48½	87	75	84½	2
Amer. Agric. Chemical (Del.)	48	25½	67½	41½	63½	52	61	3
American Bank Note	25½	11½	47½	13½	47½	42½	43½	50
Amer. Brake Shoe & Fdy.	38	19½	42½	21	50½	42½	49½	*1
American Can	114½	90½	149½	110	134½	118½	119½	*4
Amer. Car & Fdy	33½	12	33½	10	40	32½	38½	1
American Chicle	70½	46½	96	66	94	88	94	*3
American & Foreign Power	13½	3½	9½	2	9½	7	7½	1
Amer. Power & Light	12½	3	9½	1½	11½	7½	7½	1
Amer. Radiator & S. S.	17½	10	25½	10½	27½	22½	24	1
Amer. Rolling Mill	28½	13½	39½	18½	34	29½	33½	1.20
Amer. Smelting & Refining	51½	30½	64½	31½	69½	56½	67½	*.40
Amer. Steel Foundries	26½	10½	25½	12	33½	23½	32	1
Amer. Sugar Refining	79	46	70	50½	68½	52	53½	2
Amer. Tel. & Tel.	125½	100½	160½	98½	175	155½	173½	9
Amer. Tob. B.	89	67	107	74½	104	98½	99	5
Amer. Water Works & Elec.	27½	12½	22½	7½	24½	21½	21½	1
Amer. Woolen Pfd.	83½	36	68½	35½	70½	62½	65½	*1
Anaconda Copper Mining	17½	10	30	8	36½	28	35	1
Armour Co. of Ill.	6½	3½	6½	3½	7½	4½	6½	1
Atlantic Refining	35½	21½	28	20½	34	27½	32½	1
Auburn Auto	57½	16½	48½	15	50½	40½	47½	1
Aviation Corp. Del.	10½	3½	5½	2½	6½	4½	6½	1
B								
Baldwin Loco. Works	16	4½	6½	1½	6½	4½	6½	1
Bayuk Cigar	45½	23	66½	37½	74½	63½	71½	*.75
Beatrice Creamery	19½	10½	20½	14	20½	18	19	1.50

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

Div'd \$ Per Share	B	1934		1935		1936		Last Sale 2/19/36	Div'd \$ Per Share
		High	Low	High	Low	High	Low		
12	Beech-Nut Packing.....	76 3/4	58	95	72	90 1/2	85	87 1/2	*3
1	Bendix Aviation.....	23 3/4	9 3/4	24 1/2	11 3/4	26 1/2	21 3/4	25 3/4	1
3	Best & Co.....	40	26	57 1/2	34	56 3/4	48	49 3/4	*2
2.50	Bethlehem Steel.....	49 1/2	24 1/2	52	21 3/4	59 3/4	49 3/4	58	3
3	Bohn Aluminum.....	68 3/4	44 1/2	59 3/4	39 3/4	58 3/4	52	57 1/2	1.60
3	Borden Company.....	28 1/2	19 3/4	27 3/4	21	30 1/2	25 3/4	28 1/2	2
3	Borg Warner.....	31 3/4	16 3/4	70 1/2	28 1/2	76 1/2	64	76	*2
3	Briggs Mfg.....	28 3/4	12	55 3/4	24 3/4	60	51 3/4	58 3/4	*2
3	Bristol-Meyers.....	37 1/2	26	42	30 3/4	46	41	45	*2
3	Burroughs Adding Machine.....	19 3/4	10 1/4	28	13 1/2	33 1/2	25 3/4	31 1/2	*.60
3	Byers & Co. (A. M.).....	32 3/4	13 3/4	20 3/4	11 3/4	25 1/2	19 3/4	23 3/4	..
1.50	California Packing.....	44 3/4	18 3/4	42 1/2	30 1/2	37 3/4	33 3/4	35	1.50
1.50	Canada Dry Ginger Ale.....	29 1/2	12 1/2	17 3/4	9 3/4	16 1/2	13 1/2	13 1/2	..
1.50	Case, J. L.....	96 3/4	35	111 1/2	45 3/4	116 1/2	92 1/2	113 1/2	2
1.50	Caterpillar Tractor.....	38 3/4	23	60	36 1/2	71 3/4	54 1/2	70 1/2	4
1.50	Celanese Corp.....	44 3/4	17 1/2	35 3/4	19 3/4	32 1/2	27 3/4	28 1/2	3
1.50	Cerro de Pasco Copper.....	44 3/4	30 1/4	65 3/4	38 3/4	55 3/4	47 3/4	52 1/2	4
1.50	Chesapeake Corp.....	48 3/4	34	61 1/4	36	74 1/2	59	71 1/4	3
1.50	Chrysler Corp.....	60 3/4	29 3/4	93 3/4	31	97 3/4	85 1/2	96 1/2	4
1.50	Coca-Cola Co.....	18 1/2	9 3/4	21	12 3/4	24 1/2	19 3/4	19 3/4	2
1.50	Colgate-Palmolive-Peet.....	18 1/2	9 3/4	21	12 3/4	24 1/2	19 3/4	19 3/4	2
1.50	Columbian Carbon.....	77 1/2	58	101 1/2	67	109 3/4	94	104 1/2	*4
1.50	Colum. Gas & Elec.....	19 1/4	6 3/4	15 3/4	3 3/4	20 3/4	14	15 3/4	1.20
1.50	Commercial Credit.....	40 1/4	18 3/4	58	39 1/2	52 1/2	44	49 1/2	2.50
1.50	Comm. Inv. Trust.....	61	35 3/4	72	56 1/4	64 3/4	55	62 1/4	*3
1.50	Commercial Solvents.....	36 3/4	18 3/4	23 3/4	16 3/4	24 3/4	20 3/4	23 3/4	1.60
1.50	Congoleum-Nairn.....	35 3/4	22	27	45 3/4	44 3/4	40 3/4	41	1.60
1.50	Consolidated Gas of N. Y.....	47 1/2	18 1/2	34 3/4	15 3/4	38 3/4	30 3/4	33 3/4	1
1.50	Consol. Oil.....	14 1/4	7 3/4	12 3/4	6 3/4	15 3/4	11 3/4	13 3/4	1.20
1.50	Continental Can.....	64 1/2	56 3/4	99 1/2	62 3/4	87 1/2	73 1/2	78 1/2	3
1.50	Continental Insurance.....	36 1/4	23 3/4	44 3/4	28 3/4	46	41 1/2	45 1/2	*1.20
1.50	Continental Oil.....	22 3/4	15 3/4	36	15 3/4	38 3/4	33 3/4	36 3/4	1
1.50	Corn Products Refining.....	84 1/2	55 3/4	78 3/4	60	75 3/4	65 3/4	74 3/4	3
1.50	Crown Cork & Seal.....	36 1/4	18 3/4	48 3/4	23 3/4	54 1/4	43 3/4	50	1
1.50	Cudahy Packing.....	52 3/4	37	47 3/4	35 3/4	44 3/4	40	40	2.50
1.50	Cutler-Hammer.....	21 3/4	11	47	16	54 3/4	43 3/4	53	1.25
1.50	Deere & Co.....	34 1/2	10 1/2	58 3/4	22 3/4	75 1/2	52	72 1/2	*1.50
1.50	Diamond Match.....	25 3/4	12 3/4	41	26 3/4	41 3/4	37 3/4	38	1.20
1.50	Distillers Corp. Seagrams.....	36 3/4	8 3/4	38 3/4	13 3/4	34 3/4	29	29	2
1.50	Dome Mines.....	46 1/2	32	44 3/4	34 3/4	52 3/4	41 1/2	47 3/4	*2
1.50	Douglas Aircraft.....	28 1/2	14 3/4	58 3/4	17 3/4	75 3/4	50 3/4	72	1.75
1.50	Du Pont de Nemours.....	103 3/4	80	146 1/2	86 3/4	150 1/2	138	149 1/2	3.60
1.50	Eastman Kodak.....	116 1/2	79	172 1/2	110 1/2	163 1/2	156 1/2	160 3/4	*5
1.50	Electric Auto Lite.....	31 3/4	15	35 3/4	19 3/4	44 3/4	36 3/4	43 3/4	1.20
1.50	Elec. Power & Light.....	9 3/4	2 3/4	7 3/4	1 3/4	12 3/4	6 3/4	8 1/4	..
1.50	Electric Storage Battery.....	52	34	58 3/4	39	55 3/4	52	52 3/4	*2
1.50	Fairbanks, Morse.....	18 3/4	7	39 1/2	17	49 1/2	34 3/4	48	1.20
1.50	Firestone Tire & Rubber.....	25 1/2	13 3/4	25 1/2	13 3/4	33 3/4	24 3/4	29 3/4	2.50
1.50	First National Stores.....	69 1/4	53	58 3/4	44 3/4	48 3/4	44	45 3/4	1
1.50	Forster Wheeler.....	22	8 1/2	30	9 3/4	38 3/4	27	36	..
1.50	Freight Texas.....	50 3/4	21 1/2	30 3/4	17 1/2	35 3/4	28 3/4	33 3/4	1
1.50	General Amer. Transp.....	43 3/4	30	48 1/2	32 3/4	63	47 1/2	56 1/2	1.75
1.50	General Baking.....	14 3/4	6 1/4	13 3/4	7 3/4	14 3/4	12	12 3/4	.60
1.50	General Electric.....	25 3/4	16 3/4	40 3/4	20 3/4	41 3/4	36 3/4	41	.80
1.50	General Foods.....	36 3/4	28	37 3/4	30	36	33 3/4	32 3/4	1.80
1.50	General Mills.....	64 1/2	51	72 1/2	59 3/4	70 1/2	64	64 1/2	3
1.50	General Motors.....	42	24 3/4	59 3/4	26 3/4	61 3/4	53 3/4	60 3/4	*2
1.50	General Railway Signal.....	45 3/4	23 3/4	41 1/4	15 3/4	50	39 3/4	48	1
1.50	General Refractories.....	23 3/4	10 3/4	33 3/4	16 3/4	42 3/4	33 3/4	41 1/4	1.50
1.50	Gillette Safety Razor.....	14 3/4	8 3/4	19 3/4	12 3/4	18 3/4	16 3/4	17 3/4	1
1.50	Glidden.....	28 3/4	15 3/4	49 3/4	23 3/4	55 3/4	48	50 3/4	2
1.50	Gold Dust.....	23	16	22	14 3/4	21 3/4	18 3/4	18 3/4	1.20
1.50	Goodrich Co. (B. F.).....	18	8	14 3/4	7 3/4	20 3/4	13 3/4	19	..
1.50	Goodyear Tire & Rubber.....	41 3/4	18 3/4	26 3/4	15 3/4	31 3/4	21 3/4	27 3/4	1
1.50	Great Western Sugar.....	35 1/4	25	34 3/4	26 3/4	33 3/4	31	32 3/4	2.40
1.50	Hercules Power.....	81 3/4	59	90	71	105 1/2	84	101	*3
1.50	Hershey Chocolate.....	73 3/4	48 1/2	81 3/4	73 1/4	80	77 1/4	79	3
1.50	Hudson Motor Car.....	24 1/2	6 3/4	17 1/2	6 3/4	17 3/4	15	16 3/4	..
1.50	Hupp Motor Car.....	7 1/4	1 3/4	3 3/4	1 3/4	3 3/4	1	3	..
1.50	Industrial Rayon.....	32 1/4	19 3/4	36 3/4	23 3/4	31 3/4	28 3/4	30	1.68
1.50	Ingersoll-Rand.....	73 3/4	49 1/2	121	60 3/4	147	117	144	*2
1.50	Inter. Business Machines.....	164	131	190 1/2	149 1/2	184 1/2	174 1/2	176	*6
1.50	Inter. Cement.....	37 3/4	18 3/4	36 3/4	22 3/4	44 3/4	36 3/4	43 3/4	1.50
1.50	Inter. Harvester.....	46 3/4	23 3/4	65 3/4	34 3/4	154	148 3/4	152	7
1.50	Inter. Nickel.....	29 3/4	21	47 3/4	22 3/4	54 3/4	44 3/4	53 3/4	1
1.50	Inter. Tel. & Tel.....	17 3/4	7 3/4	14	5 3/4	19 3/4	13	17 1/2	..
1.50	Jewel Tea Co.....	57 1/2	33	67	49	77 1/2	58 1/2	73	4
1.50	Johns-Manville.....	66 3/4	39	99 1/2	38 3/4	124 1/2	94 1/2	124	2
1.50	Kelvinator.....	21 1/4	11 3/4	18 1/4	10 1/4	19 1/4	14 3/4	18 1/4	*.50
1.50	Kennecott Copper.....	23 3/4	16	30 3/4	13 3/4	39	28 3/4	38 3/4	1
1.50	Kroger Grocery & Baking.....	33 3/4	23 3/4	32 3/4	22 3/4	28	25 3/4	26	1.60
1.50	Lambert.....	31 3/4	22 3/4	28 3/4	21 3/4	26 3/4	22	23 3/4	2
1.50	Lehman Corp.....	166 3/4	121	190 1/2	149 1/2	184 1/2	174 1/2	176	3
1.50	Libbey-Owens-Ford.....	43 3/4	23 3/4	49 3/4	21 3/4	58 3/4	47 3/4	57 3/4	2
1.50	Liggett & Myers Tob. B.....	111 1/2	74	120	94 1/2	116 1/2	107 3/4	109 3/4	*4
1.50	Loew's.....	37	20 3/4	55 1/2	31 1/2	54 1/2	50 1/2	50 1/2	*2
1.50	Lorillard.....	22 1/2	15 3/4	26 1/2	18 3/4	26 1/2	23	23 3/4	1.20
1.50	Mack Truck.....	41 3/4	22	30 3/4	18 3/4	36 3/4	27 3/4	35 3/4	1
1.50	Macy (R. H.).....	62 1/2	35 1/2	57 1/2	30 1/2	48 3/4	45	45 3/4	2
1.50	Mathieson Alkali.....	40 3/4	23 3/4	33 3/4	23 3/4	36 3/4	30	35 3/4	1.50

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Dividends and Interest

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, Optional Series of 1929, Dividend

A regular quarterly dividend on the Convertible Preference Stock, Optional Series of 1929, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable April 1, 1936, to stockholders of record at the close of business on March 5, 1936, in Common Stock of the Corporation at the rate of 5/208 of 1 share of Common Stock per share of Convertible Preference Stock, Optional Series of 1929, so held, or, at the option of the holder (exercisable in the manner stated in the Certificate of Designation, Preferences and Rights of the Convertible Preference Stock, Optional Series of 1929), in cash at the rate of \$1.50 for each share of Convertible Preference Stock, Optional Series of 1929, so held.

The Corporation at least five days before such record date will mail to Convertible Preference Stockholders who have not already filed a continuing cash order with the Corporation notice of this dividend together with a form of written order which must be executed and filed with the Corporation on or before March 16, 1936 by any Convertible Preference Stockholder desiring that his dividend be paid in cash rather than in Common Stock. The transfer books will not close. Checks, stock certificates and scrip will be mailed.

Convertible Preference Stock, \$4.25 Series of 1935, Dividend

A regular quarterly dividend of \$1.06 1/4 on the Convertible Preference Stock, \$4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable April 1, 1936, to stockholders of record at the close of business on March 5, 1936. The transfer books will not close. Checks will be mailed.

Regular Common Stock Dividend

A regular quarterly dividend of seventy-five cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable April 1, 1936, to stockholders of record at the close of business March 5, 1936. The transfer books will not close. Checks will be mailed.

JOHN L. SNYDER, Treasurer
February 20, 1936.



MOTOR WHEEL CORPORATION

Dividend Notice

Lansing, Michigan
February 7th, 1936

The Board of Directors today declared a quarterly dividend of twenty cents (20c) per share on the common stock payable March 10, 1936 to stockholders of record February 20, 1936.

C. C. Carlton,
Secretary.

Atlas Corporation

Dividend on Common Stock
NOTICE IS HEREBY GIVEN that a dividend of 40c per share has been declared on the Common Stock of Atlas Corporation payable March 16, 1936 to holders of such stock of record at the close of business February 29, 1936.

WALTER A. PETERSON, Treasurer
February 18, 1936.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934		1935		1936		Last Sale 2/19/36	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
M								
May Dept. Stores	45 1/4	30	57 1/4	35 1/4	53 1/4	47	48	3
McIntyre, Porcupine	50 1/4	30 1/4	45 1/4	33 1/4	49 1/4	40	45 1/4	3
McKeesport Tin Plate	95 1/4	79	131	90 1/4	118 1/4	109	110	4
Mesta Machine	34 1/4	20 1/4	42 1/4	24 1/4	46 1/4	40 1/4	45 1/4	2
Monsanto Chemical	96 1/4	39	94 1/4	55	97	89 1/4	95 1/4	1
Mont. Ward & Co.	35 1/4	20	40 1/4	21 1/4	40 1/4	35 1/4	38 1/4	..
N								
Nash Motor	32 1/4	12 1/4	19 1/4	11	21 1/4	17 1/4	20 1/4	1
National Biscuit	49 1/4	25 1/4	36 1/4	22 1/4	38 1/4	32 1/4	34 1/4	1.60
National Cash Register	23 1/4	12	23 1/4	13 1/4	30	21 1/4	28 1/4	.50
National Dairy Prod.	18 1/4	13	22 1/4	12 1/4	23 1/4	21 1/4	23 1/4	1.20
National Distillers	31 1/4	16	34 1/4	23 1/4	30 1/4	23 1/4	29 1/4	2
National Lead	170	135	206	145	230	204	220	8
National Power & Light	15 1/4	6 1/4	14 1/4	4 1/4	14 1/4	9 1/4	9 1/4	.60
National Steel	58 1/4	34 1/4	83 1/4	40 1/4	75	67 1/4	71 1/4	1.80
N. Y. Air Brake	28 1/4	11 1/4	36 1/4	9 1/4	32 1/4	25 1/4	28 1/4	1
North American	25 1/4	10 1/4	28	9	32 1/4	25 1/4	28 1/4	1
O								
Otis Elevator	19 1/4	12 1/4	26 1/4	11 1/4	30 1/4	24 1/4	29 1/4	.60
Owens Ill. Glass	94	60	129	80	149	128	148	8
P								
Pacific Gas & Electric	23 1/4	12 1/4	31 1/4	13 1/4	37 1/4	30 1/4	31 1/4	1.50
Pacific Lighting	37	25 1/4	56	19 1/4	56 1/4	50 1/4	52 1/4	2.40
Packard Motor Car	6 1/4	3 1/4	7 1/4	3 1/4	13	6 1/4	12 1/4	1.10
Paramount Pictures	12	8	12	8	12	9 1/4	11	3
Penney (J. C.)	74 1/4	61 1/4	84 1/4	57 1/4	79	70 1/4	73 1/4	3
Penick & Ford	67	44 1/4	81	64 1/4	71	68	71	3
Phelps Dodge	18 1/4	13 1/4	28 1/4	12 1/4	38	25 1/4	36	1.25
Phillips Petroleum	20 1/4	13 1/4	40	13 1/4	45 1/4	38 1/4	44 1/4	1
Pillsbury Flour Mills	34 1/4	18 1/4	38	31	37 1/4	35	36	1.60
Procter & Gamble	44 1/4	32 1/4	53 1/4	42 1/4	49	45 1/4	46	1.50
Public Service of N. J.	45	25	46 1/4	20 1/4	48 1/4	42 1/4	43	2.40
Pullman	59 1/4	35 1/4	62 1/4	29 1/4	48	36 1/4	47	1.50
R								
Radio Corp. of America	9 1/4	4 1/4	13 1/4	4	14 1/4	11 1/4	12	..
Radio-Keith-Orpheum	4 1/4	1 1/4	6	1 1/4	9 1/4	8	9	1
Raybestos-Manhattan	23	14 1/4	30 1/4	16 1/4	33	28 1/4	32 1/4	1.50
Remington Rand	13 1/4	6	20 1/4	7	23 1/4	19 1/4	23 1/4	1
Republic Steel	25 1/4	10 1/4	20 1/4	9	26 1/4	18 1/4	25 1/4	1
Reynolds (R. J.) Tob. Cl. B	53 1/4	39 1/4	67	55 1/4	68 1/4	55 1/4	57 1/4	3
S								
Safeway Stores	57	38 1/4	46	31 1/4	35 1/4	32 1/4	33 1/4	3
Schenley Distillers	38 1/4	17 1/4	56 1/4	22	51 1/4	45 1/4	46	1
Sears, Roebuck	61 1/4	31	69 1/4	31	65 1/4	59 1/4	62 1/4	2
Servel	9	4 1/4	17	7 1/4	20 1/4	15 1/4	18 1/4	1.12 1/2
Shattuck (F. G.)	13 1/4	6 1/4	12 1/4	7 1/4	16 1/4	11 1/4	14 1/4	.60
Shell Union Oil	11 1/4	6	16 1/4	6 1/4	18 1/4	16 1/4	18 1/4	1
Socony-Vacuum Corp.	19 1/4	12 1/4	15 1/4	10 1/4	17 1/4	14 1/4	15 1/4	.40
So. Cal. Edison	22 1/4	10 1/4	27	10 1/4	28 1/4	23 1/4	25 1/4	1.50
Spiegel May Stern	76 1/4	64	84	43 1/4	72 1/4	64	65 1/4	3
Standard Brands	25 1/4	17 1/4	19 1/4	12 1/4	16 1/4	15 1/4	15 1/4	.80
Standard Oil of Calif.	42 1/4	26 1/4	41 1/4	27 1/4	47 1/4	39 1/4	45 1/4	1
Standard Oil of Ind.	32 1/4	23 1/4	33 1/4	23 1/4	40 1/4	32 1/4	38 1/4	1
Standard Oil of N. J.	50 1/4	39 1/4	52 1/4	35 1/4	61	51 1/4	59 1/4	1
Sterling Products	66 1/4	47 1/4	68	58 1/4	67 1/4	65	65 1/4	3.80
Stewart-Warner	10 1/4	4 1/4	18 1/4	6 1/4	21 1/4	17 1/4	21 1/4	.50
Stone & Webster	13 1/4	3 1/4	16 1/4	3 1/4	19 1/4	15 1/4	16 1/4	1
Sun Oil	74 1/4	51 1/4	77	60 1/4	89	72	87	1
T								
Texas Corp.	29 1/4	19 1/4	30 1/4	16 1/4	34 1/4	28 1/4	33 1/4	1
Texas Gulf Sulphur	43 1/4	30	36 1/4	23 1/4	38 1/4	33	37 1/4	2
Tide Water Assoc. Oil	14 1/4	8	15 1/4	7 1/4	19 1/4	14 1/4	18 1/4	1.25
Timken Roller Bearing	41	24	72 1/4	25 1/4	72 1/4	65 1/4	71	2
Tri-Continental	6 1/4	3	8 1/4	1 1/4	12	7 1/4	11 1/4	..
Twentieth Century-Fox	24 1/4	13	27 1/4	18	27 1/4	22 1/4	26 1/4	..
U								
Underwood-Elliott-Fisher	58 1/4	36	87 1/4	53 1/4	99	86	90	2.50
Union Carbide & Carbon	50 1/4	35 1/4	75 1/4	44	85 1/4	71 1/4	84	2
Union Oil of Cal.	20 1/4	11 1/4	24	14 1/4	28 1/4	23 1/4	27	1
United Aircraft	15 1/4	8 1/4	30 1/4	9 1/4	32 1/4	25 1/4	31 1/4	1
United Carbon	50 1/4	35	78	46	79	68	77 1/4	2.40
United Corp.	8 1/4	2 1/4	7 1/4	1 1/4	9 1/4	6 1/4	6 1/4	..
United Corp. Pfd.	37 1/4	21 1/4	45 1/4	20 1/4	47 1/4	43 1/4	44 1/4	3
United Fruit	77	59	92 1/4	60 1/4	75	66 1/4	74 1/4	3
United Gas Imp.	20 1/4	11 1/4	18 1/4	9 1/4	19 1/4	17 1/4	17 1/4	1
U. S. Gypsum	51 1/4	34 1/4	87	40 1/4	110 1/4	85	106 1/4	1
U. S. Industrial Alcohol	64 1/4	32	50 1/4	35 1/4	44 1/4	39	41	2
U. S. Pipe & Fdy	33	16 1/4	22 1/4	14 1/4	38 1/4	21 1/4	35 1/4	1.50
U. S. Rubber	24	11	17 1/4	9 1/4	21 1/4	16 1/4	20 1/4	1
U. S. Smelting, Ref. & Mining	141	96 1/4	124 1/4	91 1/4	96 1/4	87 1/4	89 1/4	1.10
U. S. Steel	59 1/4	29 1/4	80 1/4	27 1/4	65	46 1/4	62 1/4	1
U. S. Steel Pfd.	99 1/4	67 1/4	119 1/4	73 1/4	130	115 1/4	129	2
V								
Vanadium	31 1/4	14	21 1/4	11 1/4	27 1/4	20 1/4	25 1/4	..
W								
Warner Brothers Pictures	8 1/4	2 1/4	10 1/4	2 1/4	14 1/4	9 1/4	13 1/4	12
Western Union Tel.	66 1/4	29 1/4	77 1/4	20 1/4	95	72 1/4	91 1/4	.80
Westinghouse Air Brake	36	15 1/4	35 1/4	18	45	34 1/4	43 1/4	1
Westinghouse Elec. & Mfg.	47 1/4	27 1/4	98 1/4	32 1/4	122 1/4	94 1/4	119 1/4	2.40
Woolworth	55 1/4	41 1/4	65 1/4	51 1/4	65 1/4	52 1/4	63 1/4	3
Worthington Pump & Mach.	31 1/4	13 1/4	25 1/4	11 1/4	34 1/4	23 1/4	33	3
Wrigley (Wm., Jr.)	76	54 1/4	82 1/4	73 1/4	79	77	78 1/4	3

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year

Answers to Inquiries

(Continued from page 592)

ment in market value of such securities. The values quoted for bonds and stocks at the end of 1935 compared with \$62,712,470 at the end of 1934, showing how great the enhancement was during the past year. During the year 1935, Continental Insurance added to its stock holdings substantial blocks of bank stocks, utilities, business machines, chemicals, oils, motors and accessories, foods, paint and household equipments. Thus, the stockholder in Continental Insurance not only has participation in the earnings of the company from premiums, but has the speculative advantage of a pro-rata share in the ownership and enhancement of a widely diversified investment portfolio reflecting the increase in market values in many lines. Consequently, we feel you are justified in continuing to hold your 150 shares in which you now have a handsome profit.

INTERNATIONAL HARVESTER CO.

I am puzzled as to the outlook for International Harvester in view of the A A A decision and the divergent views on what effect present trends will have on farm purchasing power—upon which this company is so dependent. I now have 21 points profit on my 100 shares, and would like to know whether, in your estimation, this issue has about discounted moderate-term prospects.—F. H. J., St. Paul, Minn.

International Harvester is the leading manufacturer of agricultural implements and machinery, and as such unquestionably depends to a large extent upon farm purchasing power. While no report has been issued since that which covered operations in 1934, the increase in sales indicated permits an estimate for 1935 of around \$2 a share on the common stock, compared with a deficit after preferred dividend requirements in 1934 of 43 cents a share on the common stock. A very optimistic opinion as to the expectations for 1936 was voiced recently by the president of the company. It cannot be denied, however, that insofar as the voiding of the A A A program reduces farm purchasing power, to that extent the earning power of International Harvester will be adversely affected. Whether or not, however, farm purchasing power will be very materially reduced remains open to question, since without the restrictions of the A A A, it is quite possible that larger crops will be produced by the farmers. There are other factors, which would tend to

WHAT 12 STOCKS Do Market Experts Favor?

Issues recommended for early 1936 profits

DURING the past four weeks the stock recommendations of leading financial authorities have centered about 12 issues. The names of these favored stocks, the number of services recommending them, and the prices at which purchases are advised are given in the current UNITED OPINION Bulletin.

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support price levels of those products. The optimism of the forecast mentioned above, therefore, was not without some basis in fact. Moreover, although the production of trucks is not the most important contributor to earnings of this company, it is growing in importance. Registration of International's trucks gained 74% in 1935 as compared with 1934, comparing with a 26% gain for all trucks. Both gasoline and Diesel models are manufactured, in a complete line. Considering these factors in conjunction with the outstanding trade position and financial strength of International Harvester, current price levels for the issue appear to us to be fully justified, and, in our opinion, the outlook remains sufficiently favorable to suggest the advisability of retention at this time.

MATHIESON ALKALI WORKS, INC.

Viewing Mathieson Alkali's outlook for the coming months, do you think that this company will be able to cover its dividend requirements? Would you counsel holding 200 shares, averaging 28?—D. D. W., New Orleans, La.

As this is written, the report of Mathieson Alkali Works, Inc., for 1935 is not available, but indications are that a considerable improvement will be shown over results for the preceding year. As a matter of fact, it is estimated that the \$1.50 annual dividend requirements on the common stock were nearly, if not entirely, covered. The report of the company for the first nine months showed earnings of \$1.03 a share on the common stock, after preferred requirements, against 93 cents a share for the corresponding 1934 interval. Increased activity in the rayon and glass industries particularly stimulated demand for alkalis during the closing months of the year. Also, improvement in the pulp and paper industry is understood to have been of tangible aid to the company. The exports business of the company has been curtailed by political and exchange uncertainties, but there is basis for the belief that the worst has already been witnessed in this division. The company's new plant at Lake Charles, La., has been in operation now for some months, and has proven to be exceptionally efficient. The alkali price structure is being well maintained, while chlorine sales currently continue at a high level. The company maintains an active research department which is constantly endeavoring to develop new outlets and thereby broaden the potential market. Large raw material supplies are owned, consisting largely of salt and limestone said to be sufficient for many years' requirements. Finances have been well

maintained for a number of years, and in view of the promising earnings outlook at this time, little question would seem to exist as to continuance of the present \$1.50 annual rate on the common stock. Considering the favorable past record of the company, therefore, together with the promising outlook for the current year's business, we believe that you may well retain the common stock, although competition continues keen and this may tend to retard medium-term earnings improvement.

SHELL UNION OIL CORP.

I had expected a better showing on the part of my 100 shares of Shell Union Oil, in view of its strengthened financial position as well as improved factors in the oil industry. Your counsel has been helpful to me in the past, but this is the first time I have availed myself of your service. Please tell me whether, in your opinion, my stock still holds speculative possibilities.—A. S. R., Denver, Colo.

Considerable progress has been made by Shell Union Oil Corp. during the depression years in reducing the substantial amount of funded debt created largely in connection with its expansion program which was carried out at the peak of the boom in real estate values. Thus, through redemptions and open market purchases at favorable opportunities, funded debt has been reduced since 1930 by about \$78,000,000. The company now has outstanding approximately \$47,000,000 principal amount of bonds consisting of Shell Union Oil 5s of 1947 and Shell Pipe Line 5s of 1962, and it is understood that negotiations are underway for the underwriting of a new issue to retire these bonds and for other corporate purposes. Present conditions in the money market would naturally permit a substantial saving through such an operation. Preceding the 13,070,625 shares of common stock, are 400,000 shares of 5½% preferred stock upon which arrears aggregate approximately \$10,000,000. Considering the refinancing program in prospect and the sound finances of the company, the liquidation or otherwise disposing of these arrears should not prove difficult. In the last analysis, the market action of Shell Union common is closely linked with developments in the oil industry as a whole. At this writing, the outlook for early future months, at least, is distinctly promising. Gasoline sales currently are running considerably ahead of corresponding 1935 periods and proration seems to be successful in preventing a breakdown of the crude oil price structure. Although the earnings report covering full year 1935 operations is not yet available, better than 40 cents a share on the common stock is indicated, which would compare with a loss

of 27 cents a share in 1934. With the period of heaviest consumption ahead, Shell Union, common, is expected to do better marketwise and we favor further retention now.

AMERICAN CAN CO.

I have been reading about the new and strong competition that has entered the can manufacturing field. In the light of this, please advise me on the present position and outlook for American Can Co. With 15 points profit on my 100 shares, I am wondering on the advisability of further holdings.—H. B. D., New York, N. Y.

Although American Can Co. reported an increased volume of business for 1935, development expenses incidental to the production on a large scale of containers for beer reduced net earnings to \$5.83, compared to \$6.74 per share reported in 1934. Those who overrated the rise in the price of the stock following the announcement of this development, were disappointed by the subsequent reaction following the realization that net earnings could not have been expected fully to register this added volume of business. Nevertheless, it is a development of importance which undoubtedly will be reflected in the future earning power of the company. Considered on the basis of current quotations, American Can stock seems to have quite fully discounted such adverse factors as appear to be any serious threat to earning power in the immediate future. Competition in the form of other types of containers is not quite so recent a development as might appear upon superficial review of the situation. The practicability of other types have long been considered, but as yet have injected no serious threat to the widespread use of the tin can in its most important field—that of the food pack. Other general uses, such as paint or chemicals, etc., still depend on the use of this container. As far as the entrance of new competitors in the container field it concerned, while it may be conceded that such a development could be construed as a threat to the business of the subject company, it must also be admitted that it indicates optimism as to future demand. American Can does a little less than one-half of the total domestic business, a fact which should be taken into account in estimating the effect of recently-developed competition. The importance of its trade position, considered together with the exceptional financial strength of the company, certainly appear to provide extraordinary safeguards against the kind of competition which would make serious inroads into earning power. We feel, therefore, that having discounted at the present time such adverse factors as appear to present any serious problems, the shares of American Can

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U. S. GYPSUM CO.

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V. Y.

In view of its recent earnings record, do
you look for a more liberal dividend policy
on the part of U. S. Gypsum during the
coming year? At current levels, do you
feel that this stock has about discounted
possibilities for further price enhancement?
—D. R. C., Chicago, Ill.

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The official report of U. S. Gypsum Co. for the year 1935, just issued, revealed that net earnings were equal to \$2.47 a share, or more than double the rate of \$1.14 recorded for the first six months of the year. This is contrary to the usual seasonal trend, wherein the fall and early winter months have previously shown much less activity than the first half of the year. Such results would reflect the upturn in building activity, to which the operations of U. S. Gypsum are naturally closely tied. Residential building, aided by Government and private financing, has been strongly on the upgrade in recent months, and indications point to a continuation of the forward movement in all parts of the country. Despite the revived activity in this line, it amounts to only about one-quarter of the normal rate before the depression, leaving plenty of room for further expansion in this line, upon which the company is chiefly dependent. Aside from new residential construction, vast funds are being expended in the repair and modernization of existing buildings, in which the products of U. S. Gypsum play a leading part. Not only does the company manufacture wall boards and plaster boards, but it has taken an increasingly important place in roofing and insulating materials for temperature and sound. The demand for air-conditioned residential properties has brought a further source of business for the company. The longer term prospects for the building industry can well be judged by the results of a recent investigation indicating that there is a shortage of probably 600,000 private homes in the United States. Meanwhile, the research staff of U. S. Gypsum has been busy in developing other products not related to the building industry, for the sake of diversification, but these have as yet taken only a minor part in the company's activities. U. S. Gypsum is exceptionally well integrated, controlling its own sources of numerous raw materials and complete plants for processing and manufacturing the many products which it supplies to the building trade. The management has been conservative in the matter of changing the basic dividend rate, which remains \$1 annually, but

From the March AMERICAN MERCURY

THREE YEARS OF DR. ROOSEVELT

by H. L. MENCKEN

“QUACKS are always friendly and ingratiating fellows, and not infrequently their antics are very amusing. The Hon. Franklin D. Roosevelt, LL.D., is typical of the species. There has never been a more amiable President, not even excepting the Martyr Harding, and there has never been a better showman, not even excepting Roosevelt I. He likes to have confident, merry people about him, and to turn the light of a Christian Science smile upon the snares and ambuscades of his job. So characteristic is this smile that when, after the Dred Schechter decision last May, he appeared at a press conference with a Mussolini frown, the Washington correspondents were so upset that they rushed out to spread the report that he had gone mashuggah.

“But quackery, of course, also has its sober side, and the principles thereof may be traced back to the childhood of the human race. First, scare your patient into believing that the pain in his tummy is the beginning of cancer, and then sell him something to warm him while the *vis medicatrix naturae* does its immemorial work. If it be God's will that he should die, then no one will complain save his orphans and creditors; if it be God's will that he should get well, then he will sign a testimonial that you cured him. Here, obviously, we have the basic metaphysic of the New Deal. It began with a din of alarming blather about the collapse of capitalism, the ruin of the Republic, and the imminence of revolution, and it is ending with claims that the failure of these catastrophes to come off has been due to the medicaments of Dr. Roosevelt and his Brain Trust. In neither half of this imposture is there any truth whatsoever. . . .”

Here is the New Deal stripped clean of all its buncombe and all its brazen ballyhoo. The sight is frankly not a pretty one. This is a must article for every intelligent American.

Also in March:

ARE THE CAPITALISTS ASLEEP? . . . *Harold Lord Varney*
THE MAN-GOD OF JAPAN *Sydney Greenbie*
SAD DEATH OF A HERO *Paul Y. Anderson*
DEAD MAN *James M. Cain*

Articles and reviews by Ford Madox Ford, Struthers Burt, Albert Jay Nock, James Stevens, Ernest Boyd, George Santayana, William Rose Benét, Lawrence Dennis, John W. Thomason, Jr.

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the achievement of higher earnings and the favorable prospects for this year would justify more liberal extra distributions, of which a total of 75 cents a share was paid in 1935. While present market values appear adequate in relation to current earning power, the longer term outlook for still further improvement in the building industry may not yet have been fully discounted marketwise and on that basis we see little incentive for disturbing your holdings.

WRIGHT-HARGREAVES MINES, LTD.

I bought 150 shares of Wright-Hargreaves at 8½ last year and have been speculating as to the wisdom of my purchase. Please favor me with your comment as to the outlook for this issue. C. R., Philadelphia, Pa.

Since the appreciation registered in the shares of gold mining enterprises following the increase in the price of gold in terms of the American and Canadian dollar, interest has lagged. Nevertheless, the incentive for aggressive operations by corporations holding ore deposits remains, and it seems probable that this situation will continue for some time to come. Of course, lacking a further increase in the price paid for gold, rising costs, which may be expected to accompany general industrial revival, may tend to cut into profits. Wright-Hargreaves owns and operates some 152 acres of gold properties in the Kirkland Lake District of Ontario. While it is virtually impossible to predict with any degree of accuracy just how successful future operations will be since these depend not only on the price obtained for gold, but also upon the grade of ore recovered, competent observers are of the opinion that the company can expect satisfactory production for a number of years, at least. The company has been fortunate in discovering a high grade ore body at depth, which has permitted material improvement in earning power and has also apparently lengthened the life expectancy of the property. In the fiscal year ended August 31, 1935, the company milled 370,196 tons of ore from which gold and silver production amounted to 211,674 and 31,716 ounces, respectively. This compared with 330,741 tons milled in the preceding fiscal year with a gold and silver recovery of 207,655 and 40,915 ounces. Earnings for the fiscal year ended August 31, 1935, amounted to 70 cents a share on the capital stock and in view of the small increase in production indicated for the current fiscal year, it seems probable that some earnings improvement will be reported. Financial condition of the company is strong and working capital is more than adequate

for all ordinary requirements. Under the circumstances, some extra distribution on the common stock, supplementing the 60-cent regular dividend rate, would not be unexpected. In our opinion, the shares of this company have merit as a low-priced speculation in the gold mining industry, and since they provide a good hedge against possible inflationary developments later on, retention currently is advised.

UNITED CORP.

I recently purchased 100 shares of United Corp. and have been somewhat disappointed in its market action. Do you feel that the prospects are such as to warrant retention of my holdings, or should I switch to another issue likely to do better marketwise? —C. L. L., Utica, N. Y.

Report of United Corp. for the year ended December 31, 1935, revealed a net profit of \$9,049,836 equivalent, after dividend requirements on the \$3 preferred stock to 11 cents a share on the common stock. This compared with a net profit of \$9,979,579, after charges and \$300,000 loss arising from expiration of 300,000 warrants of the Niagara Hudson Power Corp. equal to 17 cents a share on the common stock for 1934. The earnings decline during 1935 is attributable directly to the decrease in the dividends received from the company's holdings of United Gas Improvement, Public Service of New Jersey and Consolidated Gas of New York. The company's portfolio was unchanged during 1935, and at the close of the year consisted of large blocks of such representative utility issues as Columbia Gas & Electric, Niagara Hudson Power, Consolidated Gas of New York, Public Service of New Jersey, and United Gas Improvement. In 1933, the company liquidated all bank loans and at the close of 1935 was free of debt. It is clearly evident that the future market action of the United Corp., common, is closely linked with that of its principal portfolio securities. In a rising market for the latter, the favorable effect of leverage should be witnessed in the case of the common stock, since this is preceded by 2,489,064 shares of \$3 preference stock. Hence, any appreciation in the value of portfolio securities from this point on will be magnified in the break-up value of the common which in time would doubtless be reflected in market quotations. The recent T V A decision tended to depress the shares marketwise, but the greater portion of portfolio securities are not directly affected thereby. In the event that the Supreme Court sustains the lower court's decision invalidating the Public Utility Holding Company Law of 1935, the prospects of United Corp. would be measurably improved. Admittedly, rate reductions and higher

operating costs continue to plague the companies the stocks of which are held by the subject organization, but indications now are that increased consumption is proving an offset in most cases. With the common stock of United Corp. currently quoted at what is believed to be its approximate break-up value, we believe that you would do well to maintain your long position in the issue at least temporarily.

Seaboard Oil Co. of Delaware

(Continued from page 588)

with heavy deficits. Strangely enough its period of excellent prosperity began again at about the time that most other companies were being hit by the business reaction. Superficially this would look as if some such an agency as Poe's Imp of the Perverse were at work, but as a matter of fact the changes were due to natural causes—largely consolidation of the company's activities in its California territory.

Not since 1929 has the company reported a deficit. Results have been almost continuously progressive, in actual dollar results, since 1929. In 1931 10 cents a share was earned on the outstanding stock; in 1932 the net was 71 cents a share; in 1933 it rose to \$1.03 and in 1934 was further increased to \$1.11 a share. Figures for 1935 have not yet been released, but for the first nine months of that year the net income was equal to about 98 cents a share, against 86 cents a share in the corresponding period the previous year.

Seaboard has no funded debt and its capitalization consists solely of 1,244,383 shares of no par stock, on which at the present time \$1 is being paid annually in dividends—60 cents as a regular disbursement, and 40 cents in quarterly extras of 10 cents each. Thus full dividend requirements are undoubtedly being earned.

The company's chief field for income is Kettleman Hills, Calif., though much is expected from its Texas holdings. Its Venezuelan and Mexican properties are operated under pooling arrangements with other companies. In Venezuela the Creole Petroleum Corp., a subsidiary of the Standard Oil Co. of New Jersey, is doing the exploration and development work, while in Mexico a subsidiary of the Royal Dutch-Shell group operates on a fee and per barrel basis.

Seaboard's properties in the Kettleman Hills section of California have been consolidated with other properties into what is known as the Kettleman North Dome Association (KNDA)

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and it is expected that on April 1, of this year the company's interest will represent about 21.58% of the entire holdings of the association. Unlike other members of the Association, however, Seaboard has not pooled its dry gas sales and it has a contract with the Pacific Gas & Electric Co. for the sale of gas up to 1940, deliveries being expected to reach 45,000,000 cubic feet daily at that time.

Seaboard has a comfortable financial position, its latest balance sheet showing cash of \$1,852,000 and a net working capital of \$2,323,000. There are no bank loans.

With the company's substantial earnings capacity, and its heavy reserves of oil and gas, the stock seems susceptible of further price enhancement, although the dividend yield at the present time is less than 3%.

Why Manville Commands a Premium

(Continued from page 563)

materials dealer, contractor, architect, realtor, finance factors and manufacturer to provide the prospective home builder with full visualization of the completed job and the cost thereof. At present a "school" of two weeks' duration is being conducted by the company in New York to train building material sales managers for application of this plan.

The products appearing to offer greatest promise in the home building recovery of this and future years are insulation and "Transite" panels. The latter, being removable, already enjoy a good demand for office partitions, having the appeal of flexibility and economy so desirable in the relatively frequent rearrangement of office areas. Their use for wall areas in the home is in its infancy and should be capable of great development, fitting nicely into the principle of either full or partial pre-fabrication.

In aggressive sales endeavor, even before the days of the New Deal's F.H.A., the company had set up the \$1,000,000 Johns-Manville Credit Corp. to finance installment sales of its products.

On the financial side working capital shown on the latest available balance sheet was \$10,779,000, including \$4,191,000 cash items; and except for withdrawal of \$1,000,000 which was used to set up the above mentioned credit corporation would have been almost identical with the working capital total of \$11,790,000 at the close of 1929.

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- (3) WHEN to Take Action

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MARKET STATISTICS

	N. Y. Times		Dow, Jones Avgs.		N. Y. Times		Sales
	40 Bonds	30 Indus.	20 Rails	50 Stocks	High	Low	
Monday, February 10.....	88.23	151.15	47.19	120.34	119.13	2,460,995	
Tuesday, February 11.....	88.33	152.25	48.01	121.28	119.72	3,357,370	
Wednesday, February 12.....	HOLIDAY—EXCHANGE CLOSED						
Thursday, February 13.....	88.42	152.53	48.75	121.56	119.86	2,923,126	
Friday, February 14.....	88.50	152.97	48.40	120.74	119.47	2,604,040	
Saturday, February 15.....	88.49	152.40	48.76	120.67	119.79	1,373,795	
Monday, February 17.....	88.36	151.40	48.37	121.37	119.03	4,718,548	
Tuesday, February 18.....	88.58	153.36	49.18	121.15	119.65	3,526,811	
Wednesday, February 19.....	88.41	153.09	49.63	122.09	120.05	4,579,286	
Thursday, February 20.....	88.61	154.43	51.27	121.49	119.65	3,457,270	
Friday, February 21.....	88.72	153.74	51.07	121.86	120.44	3,020,537	
Saturday, February 22.....	HOLIDAY—EXCHANGE CLOSED						

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have always been conservative, the reserve accrual since 1929 to date having averaged approximately \$2.45 per share of common stock annually. Properties, less more than \$20,000,000 depreciation reserve, are carried at only \$21,770,000 or less than the fire insurance carried on them when last reported, although the valuation includes the asbestos properties which, of course, as regards asbestos itself need no fire protection.

Following recapitalization of the company at the close of 1926, a dividend of \$3 a year was paid until the fourth quarter of 1931 when it was eliminated. This was equal to \$72 a share on the relatively small total of Manville family shares outstanding prior to split-ups of eight-for-one in 1923 and three-for-one in 1926. Last year the company resumed dividends with a \$1 rate.

There is no funded debt, \$2,150,000 in bonds of acquired properties having been paid off in 1929. Ahead of the 750,000 shares of no par value common stock are 75,000 in 7 per cent cumulative preferred, redeemable at 120. The preferred dividend was omitted early in 1933 but resumed in full at the start of 1934, with the last of arrears being paid off in July of that year.

A Long and Short View of Aviation's Future

(Continued from page 567)

on a fair basis of payment and under practical methods of procurement. And yet, on February 14, this year, a joker was slipped into the Army Appropriations Bill providing that all aircraft and ordnance contracts must be limited to a ten per cent profit.

Similarly affected is the transportation end of the industry, handicapped by a multitude of rules and regulations growing out of the dual control of the Post Office Department and the rate-making powers of the I C C. The Air Mail Act provided that no executive could receive more than \$17,500 a year. It also placed the lines in the hands of the various labor boards being set up by the Government.

The average shareholder is still inclined to believe that the management of a company is entitled to as much salary as it can obtain in other industries. He knows that profits do not result from cheap management. Yet the Air Mail Act limits the salary that the management can make, and the limit is far below the average prevailing in other industries requiring the same degree of ability.

Throughout the aviation scene there lurks the specter of Government ownership and manufacture. The Government is trying to manufacture airplanes, under the terms of the Vinson-Trammell Act which provide that ten per cent of the Navy money spent on aircraft shall be spent building aircraft in Government plants. That money is now being spent by the Naval aircraft factory at Philadelphia. Since May, 1935, the factory has used the taxpayers' money trying to learn how to copy some perfectly good aircraft engines that are already available from the industry at fair prices, trying to copy a few airplanes designed by the private industry, and actually producing one third-class training machine which Navy pilots are afraid to fly. The truth is that no good aircraft has ever been built in a Government plant here or abroad, for the reason that it involves too much science and continuous development. It is not like turning out shoes and uniforms from an arsenal. The Navy knows it, and would enjoy being put out of the aircraft manufacturing business.

Such are some of the untoward circumstances which politics has injected into the aviation picture, particularly the immediate picture. On the other hand there are some exceptionally bright spots in the picture, for the long pull. One has little difficulty learning whether or not an aircraft company is a good object for serious investment. One need only study the record of achievement and determine the ability of the management and the records of the company, its history in either manufacturing or operations.

Other bright spots: The impact of what Europe is doing to build up air forces will be felt in this country early in 1937; and it will jolt the American people. Once jolted they shall probably demand that something be done to protect them from any winged maniac that might in future broaden the scope of his sanguinary activities to include the United States. The day is approaching when fleets of airplanes, thousands of them, will be able to hop across the oceans and land here right in the spot where it will hurt most.

The longer the Government postpones arming our air forces to the hilt the more shall the Government require. And one may accept this without qualification: The only place where Army and Navy aircraft can be procured will be the aircraft industry, that part of it which is able and responsible. The Army and Navy shall require upward of a half billion dollars worth of aircraft equipment during the next five years. They know it.

At the present time the industry is turning out an average of about 150 machines a month, the greater number

being machines for private owners, commercial houses and sportsmen. With improved conditions the private flying industry will continue to grow and in two or three years it should have gained sufficient momentum to promise some return to its investors.

There may come a change in our foreign policy which will permit the industry to set out again and cultivate its foreign trade. Foreign trade in aircraft products helps to keep the plants operating, pays development costs to an increasing degree as the business grows and can, under ordinary conditions, create black balance sheets.

The air transport industry in the United States and the American lines extending to other countries are developing their traffic at a rate which promises to make them paying propositions one of these days. Despite all that Washington has endeavored to do, the air lines of the United States in 1935 carried 908,185 passengers as compared to 537,637 in 1934; 13,538,625 pounds of mail in 1935, as compared to 7,155,281 in 1934; and 6,162,056 pounds of express, as compared to 2,946,460 pounds in 1934. With their present equipment the lines are operating at about 70 per cent capacity.

Approximately 900 airplanes will be purchased by the Government during the fiscal year 1937. It will help support the industry if conditions as to contracts and profits permit. It will place the industry in a position to make profits with the growth of commercial flying.

The longer range future of all branches of aviation is not without great potentialities. The nearer term view, extending at least to next November and possibly to November, 1940, is obscured by political considerations which demand caution on the part of the security buyer.

Three Crowded Years

(Continued from page 565)

ally endowed with \$3,000,000,000) was created in May, 1933, and was followed by the Home Owners' Loan Act, which has lent \$4,000,000,000 on urban mortgages, the National Recovery Act (N R A), Public Works Administration and new taxes, H O L C is adjudged good on the whole, and has greatly mitigated the burden of urban residential mortgages. F E R A and its fleeting child, C W A, were generally lauded in principle, but became the abiding place of visionaries.

N R A caused an anticipatory boom, filled the nation with collective enthusiasm for a mass attack on the depression

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and stimulated business men to action. It soon turned out, however, to be an obstacle to recovery, causing artificially higher prices, foolishly restricted consumption and production, and a slipping back of employment. From a conception of industry self-control it degenerated into business tyranny and an agency for tyrannical union labor domination.

N R A was dead on its feet by public condemnation even before the Supreme Court threw it out the window in May, 1935, and thereby inaugurated a new period of recovery.

The several billions expended by the Public Works Administration undoubtedly gave a certain stimulus to business; and first and last, casual employment to about 2,000,000 persons. It was beneficial as a first aid measure, but in the end tended to discourage business initiative, and Mr. Ickes has shown much the same fixed animosity to the business ensemble as at present constituted that the President has persistently shown. Public works have been undertaken which have encroached upon the field of business initiative and expansion, and thereby set back recovery.

From time to time the powers and scope of the R F C (a Hoover legacy) have been enlarged, and on the whole this has been an admirably constructive, businesslike institution during a period of banking and general credit lethargy and timidity.

The National Housing Act was a sound conception and the Federal Housing Administration has been a potent force for recovery.

Amendments to the National Bankruptcy Act have been beneficial and have facilitated the clearing up of the deflation wreckage.

The Work Relief Appropriation Act of April, 1935, was a monument to public profligacy. It appropriated \$4,000,000,000 for the innovation of creating public work for persons on the relief rolls and did away with direct relief, reappropriating \$880,000,000 for tapering off from the dole. While it undoubtedly has contributed to renewal of business activity it fostered labor troubles, checked individual and local public efforts, corrupted politics and set back real employment. It has had some excellent effects upon the morale of the unemployed but the throwing back of the unemployable upon the tender mercies of the local authorities although sound in principle has caused untold misery. It has contributed nothing to a permanent solution of the unemployment problem, which still waits upon the full business recovery that can only come from free private enterprise.

So far as they can be distinguished from recovery and relief measures, so-

cial and reform acts of the Administration include the vindictive Public Utilities Act, Prohibition Repeal, the Federal Alcohol Administration Act, the soak-the-rich Revenue Act, the socialistic Tennessee Valley Authority, the scheme for a wall of trees from Texas to Canada, outlawed Frazier-Lemcke Law for farm mortgage relief, the Bituminous Coal Commission, control of poultry markets, the Social Security Act, National Labor Relations Act, Soil Erosion Act, Petroleum Act, rural rehabilitation, Tugwell's ambitious Resettlement Administration, grazing control of public lands, Communications Act, Security Exchange Act, Sugar Control Act, vengeful cancellation of air-mail contracts, Emergency Railroad Transportation Act (co-ordinator, etc.), abolition of individual allotments on Indian reservations. Some of these measures are worthy and others are destructive, but most of them are not well considered, and some of them represent class favor or are the product of demagoguery. As against reforms must be counted the unpardonable demoralization of the Civil Service, the prostitution of most of the emergency employment (110,000) to party promotion and the whim of innumerable brain-trusters. Also in the debit group is the failure to tackle the problem of forestry for which so much was enthusiastically promised.

The President's fixed opposition to currency inflation was magnificently expressed in the veto of the Patman Bill for the payment of the soldiers' bonus with greenbacks. That veto also expressed a belated (but still sterile) opposition to needless expenditures. The President is in no way responsible for the recent enactment of the Bonus Bill (over his veto) with the stage money excised. The Neutrality Act, adopted last summer, met with general favor, and the purpose of both it and the bill to succeed it are worthy. The special trade agreements projects is well-intentioned and has been discreetly applied in negotiations with a score of nations, but it can be judged only from the viewpoint of one's attitude on the tariff problem and foreign trade in general. Philippine independence was inevitable, and the President has no responsibility one way or the other. Liberal appropriations for national defense meet with general approval.

The Roosevelt Administration has been marked by swift action, vigor and a wealth of good intentions coupled to amazing intellectual lapses if not insincerities, colliding inconsistencies of policy and administration, indifference to economic and monetary principles and experience, and by a weakness for social medicine men. It has been a magnification of executive egotism by

consent or connivance of Congress. The Constitution has been ignored, or flouted. The elementary principles of public finance have been disregarded—and the public debt has been raised to the danger point. Emotion, hasty impulse and prejudice have inspired much legislation to the neglect of reason, deliberation and fairness. This has been a period of costly schooling in economics and governmental economy, in which after three years the Administration is learning what it should have known before it started.

This Government has done many heroic and inspiring things; it has been an administration of courage and decisiveness, which even when wrong has often had the merit of being better than doing nothing. It has kept the people loyal and keen, and sustained the unfortunate with inextinguishable hope; but at the same time it has been blindly opportunist, has been partisanship advised most of the time and directed by crackpots and dreamers much of the time. It has virtually ignored the best business brains in the world in favor of callow amateurs, under whose tutelage it has often sacrificed solid recovery for doubtful reforms. With all its faults it has been about the sort of government that an upside-down nation and out-of-joint times would have. It has muddled through a terrific crisis at a terrific cost and with the incurrence of new perils and the establishment of tendencies toward stubborn extravagance, oppressive taxation for oblique purposes of "social justice," disruptive legislation and personal government which may never be overcome. Until recently the President has had immense national value as a trusted and beloved leader. But other times other men. His denoted period is passing. He has had the baffling emergent task of national rescue. Recuperation, reconstruction, stabilization, normalization, properly belong to another.

Commodities On the Upward March

(Continued from page 572)

rubber situation resembles that in silk. The controlling factor in rubber is the native producer who, like the family workers in silk, make no debit for their time and labor. The export tax imposed on native rubber, roughly 10 cents a pound, is more than two-thirds of the export price, but the native figures that whatever he gets is all net. The next meeting of the International Rubber Regulation Committee is to take place February 25.

Of all the commodities that go to

make up the huge volume constantly moving in our domestic commerce, the greater part and many of first importance do not enter into world markets but retain, more or less, their local characteristics. The products of the poultry yard and the dairy are first in our home list of farm output and in money value greatly overshadow wheat. Yet wheat, as the bread grain of the world, holds a place of primary importance in world markets.

The accumulated carry over of wheat has been during the past four or five years, a matter of world agitation. Now the outlook is improved. Dame Nature has been arranging her averages. Crop year—July to August—supplies, outside of Russia, appear so limited as to indicate a heavy draft upon the world carry over. A low volume of international trade is inevitable. In our own country we have had three short crop years, Canada likewise, while the Argentine wheat yield is the smallest in twenty years. Thus, all in all, it appears that world wheat stocks are going to come down to something like 625 million bushels, which approximates the average figure before the depression hit us.

Canada's command of the international wheat market is upset by a lot of small sellers in Europe. The small nations, normally importers, have just enough surplus to offer to bring about a temporary hand-to-mouth market.

In our domestic situation we have to take into account the contraction in acreage which, coupled with black rust last harvest, drove us into the ranks of importers.

During the eleven months of 1935, ending November, we imported for consumption 23,117,716 bushels of wheat, costing us \$18,066,807. We imported 41,150,414 bushels of corn of a value of \$19,531,338. We imported in wheat by-products feeds 246,873 tons, costing us \$5,102,320. These shortages so pronounced must foretell in the long run, more or less of a seller's market in wheat. Certainly we are not to remain in the ranks of the importing nations, either as to wheat, corn or bran or shorts or middlings.

We must now expect to see in any study of the outlook for commodity prices, the influence of growing necessities demand on the one hand and on the other the reactionary influence of restriction schemes, hatched by the depression. Hope lies in the strength of demand as the controlling factor, which is as it should be. There is a formidable list of the items in world commerce which labors under control of one kind or another.

The tin restriction scheme is just now much discussed due to the early expiration of the present international

agreement. Wheat has many tariff walls to climb and quota regulations to comply with in its world commerce.

No one, outside of the producers themselves, has been fully informed as to the terms of the existing plan in copper. So far as these are willing to express themselves, they give voice to approval. The agreement does not affect the production in our own country. The demands of the past twelve to twenty-four months have been spotty, abnormal, not at all in accord with past history in metal. The housing boom in the United Kingdom caused takings in copper far beyond any previous records in that country. It remains to be seen how far England's increased armament program will replace the builders' use of copper; the latter seems to be coming to more or less of a halt. At home, instead of the two billion pounds, which we formerly used in a year, we took some 940 million pounds. In England copper went into housing; in Italy into munitions; in our own country, we are waiting for the utilities to move ahead once more.

World production of copper, in 1935, was 2,860 million pounds, while consumption is figured at 3,350 million pounds, resulting in a reduction of world stocks of refined copper of 490 million pounds. There has been some increase in world stocks since, but copper prices are still too low, our mine workers are underpaid, their wages being adjusted to metal prices they are now on a minimum wage scale. Price advance is slow but the present level of 9¼ cents is most emphatically up from the lows of not so long ago, around 7 cents a pound.

Lead stocks were cut down in 1935 and the price increase amounts to 47½ per cent. The world used some 1,445,000 tons while mine output was 1,370,000 tons.

It is in fibers that the demoralized condition of world trade hits us hardest. We produce the finest cotton in the world, leaving aside the small output of long staple Egyptian. We have in past years sold 1 billion dollars worth of cotton to world spinners. In 1935 (eleven months through November) we exported only 5,175,705 bales, of a value of \$334,130,505.

During the four months ending November, we sent to France 309,809 bales, value \$20,385,637; to Germany, 311,126 bales, value \$20,252,114; to Manchester, 637,463 bales, value \$40,639,624, and to Japan, 634,424 bales, value \$40,639,624. Under former conditions of international trade Germany would have headed this list of consumers of our cotton. These figures are cited just to show the relative importance of our cotton customers.

Out of the proceeds of our sales of cotton to Japan we bought (eleven

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Name and Dividend	1935 Price Range		Recent	Name and Dividend	1935 Price Range		Recent
	High	Low			High	Low	
Alum. Co. of Amer.	116	87	114½	Ford Mot. of Can. "A" (1.50)	38½	24½	38
Amer. Cyanamid B (.60)	40½	39	39	Ford Motor, Ltd. (.10)	8½	8½	8½
Amer. Gas & Elec. (1.40)	43½	37½	40½	Glen Alden Coal (*1)	18½	16½	17½
Amer. Lt. & Tr. (1.20)	23½	17½	19½	Great A. & P. Tea N.-V. (*6)	130½	125	126
Amer. Superpower	4½	2½	2½	Gulf Oil of Pa.	87½	73	85½
Assoc. Gas Elec. "A"	3½	1	2½	Hudson Bay M. & S. (1)	28½	22½	27½
Atlas Corp. (1.40)	16	13	15½	Humble Oil (1)	73½	62½	71½
Cities Service	7½	3	5½	Imperial Oil (*50)	24½	20½	24
Cities Service Pfd.	59½	41½	50½	Lake Shore Mines (*2)	59½	51	58
Cleveland Elec. Illum. (2)	52½	48½	48½	National Sugar Ref. (2)	23½	23	23½
Colum. G. & E. cv. Pfd. (5)	114	93	104½	Niagara Hudson Pwr	11½	8½	9½
Commonwealth Edison (4)	119	97	105	Novadel-Agenc (2)	46½	35½	46
Consol. Gas Balt. (3.60)	90½	84	90½	Pan-Amer. Airways (1)	57½	45½	57½
Cord Corp.	7½	4½	6½	Pitts. Pl. Glass (2)	117	98½	116½
Crane Co.	29½	25½	28½	Sherwin-Williams (4)	130	118½	126½
Creole Petroleum (.20)	34½	19½	31½	United Lt. & Pwr. A	5½	3½	4½
Elec. Bond & Share	23½	15½	17½	United Shoe Mach. (*2½)	90	83	88½
Elec. Bond & Share Pfd. (6)	82	74½	77½				
Elec. Pr. Assoc. A	9½	6½	7½				
Fisk Rubber	9	6½	8½				

* Includes extras. † Paid last year.

months through November) 62,130,055 pounds of raw silk for which we paid \$85,921,629.

There is no space here to discuss the problems involved in our production of cotton. The future welfare and prosperity of our Southern states is dependent upon ability to grow cotton and distribute it to the rest of the world. No small part of the South faces disaster if our cotton production is to be limited to or by our domestic requirements.

World consumption of all cotton in 1935 was 24,416,000 bales, of American cotton 10,852,000 bales, 44.44 per cent. For the first time since we achieved predominance in cotton we failed to furnish more than half of the bales for the world's breakers, spindles and looms. Government holdings are being distributed carefully.

There are many phases of the problems involved in cotton, the welfare of the agricultural laborer, share cropper, tenant, land owner; soil rehabilitation, crop diversification and rotation, the scaling of costs to a basis of competition with any foreign cotton by increased yield on smaller acreage. It has been done and there are successful working models for the South to copy if it will.

Undoubtedly, the most harmful factor is governmental interference and price making activity. However, cotton is a matter of vital importance to the nation, its importance is by no means confined to the States where the fiber is grown.

Intentions to plant appear to show an increase in acreage over last year of 16.2 per cent; 32,375,000 acres as compared with the 27,872,000 reported by the Department of Agriculture last July.

It would be almost too good to be true if one could review the list of commodities in world trade without running into the questions of hypertrophied nationalism. The world war frightened the nations of the world about their bread. The normal importers strained unduly to increase home production, hence, the wheat problem, now just beginning to work back to normal conditions, barring tariff walls and quota regulations.

The world trade in sugar is perhaps more bedeviled than that in wheat. The sugar bowls of the world should be happy and prosperous in the possession of the advantages bestowed by nature. Cuba, Java, Hawaii, and the Philippine Islands can profitably produce sugar so cheaply that the rest of the world should need hardly to think of either price or quantity and we with wide-open eyes continue to subsidize a beet sugar industry. Curtailment by planters, forced by market conditions to reduce output, has brought visible supplies down from 8,224,000 tons on December 1, 1933, to 7,647,000 tons in 1934, and 6,468,000 tons on December 1, 1935. Our own refiners operate under a quota system. We imported during the eleven month period covered from the Philippines some 970,000 tons, from other countries some 2,100,000 tons, and our bill came to some 137 million dollars. Sugar as an item of universal individual necessity and use stands out as a mark for governmental activities and interferences the world over so that the natural influence of supply and demand are not permitted to control the market.

We may be complaisant about coffee. We are no longer in a position to criticize Brazil's policy of destruction. Once

it seemed madness to us, but we had all that changed for us. Coffee is one item among the list we append which shows a declining tendency in price. Coffee is not suffering from over-production nearly so much as from fantastic, unscalable tariff barriers.

No consideration of world commodities would be complete without any allusion to gasoline—petroleum and its products. The oil world is a world unto itself, perhaps the most wonderful of all our industries is the chain which extends from the drilling floor of the derrick on the wildcat well to the roadside pump or the pretentious suburban filling station. Of course, crude oil production increases as car registrations increase. Daily production of crude runs from two and a half up to nearly three million barrels. It is one of our most important items of export as well as of daily use, one of our most important items of hidden taxation like the cigarette. We buy gas and we buy cigarettes and the hand of the tax gatherer grasps a huge part of our outlay. As there is no public participation in the markets for oil or tobacco save as consumers, prices are not of interest marketwise, but both are in the same trend as world materials generally, which is markedly upward.

Opportunities in Preferreds

(Continued from page 579)

to second grade preferred stocks in order to secure a better return is not necessarily a deterrent. The second grade classification may imply a lack of investment quality which is more apparent than real, and there are many preferred issues in this category which, with the promise of continued business improvement, will acquire increased investment strength. Discrimination is, of course, essential.

A choice of preferred stocks for potential income and price appreciation, a speculative objective, must be made largely from the more speculative issues which for the most part are non-dividend paying and carry accumulated back dividends. It has been noted that already a number of companies have restored their preferred shares to a regular dividend basis and have liquidated all or part of accumulations. Barring unfavorable developments in the general business prospect, there is well-founded promise that the list of such companies will be considerably enlarged during the months ahead. Confronted with the evidence of improving earnings to a point more than sufficient to meet current dividends on preferred shares, the resumption of full dividends becomes a valid expectation.

It might be pointed out in connection with this second group of issues that while it is incumbent upon a company to discharge all accumulated preferred dividends before common stockholders may participate in earnings, this obligation may be met through some other form than cash. The recent past affords numerous examples of companies which have appealed successfully to preferred stockholders to accept some other form of compensation for back dividends in lieu of cash. These proposals have taken the form of additional preferred stock, common stock or both. Such proposals may not necessarily detract from the worth of a particular preferred issue, although each must be subject to judgment on its own merits.

In the accompanying list of preferred stocks, the bona-fide investor as well as those more speculatively inclined will find a diversified selection of issues. All of the issues in the Income group are currently selling to return a generous yield and in each instance late earnings afford ample assurance as to the security of dividends. In the group for Potential Income and Profit, care has been taken to include only those companies most favorably situated at this time with respect to their later ability to meet preferred dividend obligations, both current and accumulated.

European Psychology and the American Dollar

(Continued from page 560)

franc. Informed opinion here and in London is that French revaluation at a relatively early date is inevitable and that it probably will amount to 25 per cent. The relentless disintegration of the French economic and budget position continues, with no hope of relief from deflationary pressure as long as the franc remains over-valued in relation to sterling and the dollar. This is wholly apart from the technical strength of the franc, behind which the gold reserves remain enormous. The recent short term loan of approximately \$200,000,000 granted France by British banks is sufficient commentary both on the weakness of her present budget position and the temporary nature of all palliatives yet applied.

The question, then, is merely when will France revalue and how will it affect us. There are strong grounds for believing that this action will come some time after the French national elections late in April or May, and that it will probably be only a matter of a few months at most, if the parties of the Left increase their strength in the Chamber of Deputies in the elections.

The reason for this, in the view of bankers intimately familiar with the French situation, is that a Leftist government will have increased difficulty in financing a deficit already embarrassingly large and still growing and will be forced to a currency revaluation which the majority of French leaders think necessary but for which every political faction has been reluctant to take responsibility.

Over the past two years approximately \$1,100,000,000 in gold has come to this country from France, \$778,000,000 from England, \$324,000,000 from the Netherlands and more than \$2,700,000,000 from all countries. Not all of the gold from France, however, represents French capital, probably a considerable part having come from other countries to us via Paris. In the event of a 25 per cent franc revaluation, French monetary uncertainty would be ended for a considerable period if not indefinitely and French capital now harbored here would have an automatic profit of 25 per cent in conversion back to francs.

As to the outward movement of gold that franc revaluation will cause estimates vary widely. I believe it will hardly prove less than \$400,000,000 nor at the outside more than \$700,000,000. Such outward shipments of gold would prove no problem at all, since our present monetary stock of the metal exceeds \$10,200,000,000. The only possible financial shock to us that would be involved would be the mobilization of French capital here, especially the liquidation of French-owned securities for dollars with which to buy gold for transfer.

The effect of such liquidation on our stock market will depend largely on the speculative vulnerability of the market at the time. If a strong and confident domestic demand exists at the time, the reaction would be of relatively slight proportions; but if there should be domestic factors making for reaction French selling would, of course, aggravate the decline. In no event would this development be more than a temporary, intermediate cross-current in the basic market trend.

There is finally to be considered the growing war fears in Europe, the possibility of actual war and—on the reverse side—the remote possibility that the European skies may clear. The latter possibility appears so remote that one can safely put it out of mind.

Increasing apprehension regarding an almost inevitable European war can only tend to weaken the fundamental monetary position of every major European country and preparations for this eventuality are already putting a severe load on European governmental budgets—a load certain to increase for an indefinite time; a load that will stagger

Dividends and Interest

THE ELECTRIC STORAGE BATTERY CO.



The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of Fifty Cents (\$.50) per share on the Common Stock and the Preferred Stock, payable March 30, 1936, to stockholders of record of both of these classes of stock at the close of business on March 9, 1936. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.
Philadelphia, February 21, 1936.

Texas Gulf Sulphur Co.

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable March 16, 1936, to stockholders of record at the close of business on March 2, 1936.

H. F. J. KNOBLOCH, Treasurer.

Chrysler Corporation

• DIVIDEND ON COMMON STOCK •

The directors of Chrysler Corporation have declared a dividend of one dollar (\$1.00) per share on the outstanding common stock, payable March 31, 1936, to stockholders of record at the close of business, March 2, 1936.

B. E. Hutchinson, Chairman, Finance Committee

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of \$1.75 a share on the Preferred stock and a dividend of 62½¢ a share on the Common stock of Underwood Elliott Fisher Company will be payable March 31, 1936, to stockholders of record at the close of business March 12, 1936. Transfer books will not be closed.

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American Book Co. (4)	75	77		Jersey Central Pwr. & Lt. Pfd. (7)	96	98
Canadian Celanese	27	29		Kansas Gas & Electric Pfd. (7)	110	112
Crowell Publishing Co. (2 1/4)	43 1/2	45 1/4		Metropolitan Edison Pfd. (6)	104	105
Dictaphone Corp. (3)	49	51 1/2		Nebraska Power Pfd. (7)	110 1/2	112 1/2
National Casket (3)	51	56		New Jersey Pwr. & Lt. Pfd. (6)	103 1/2	105
Northwestern Yeast (8)	74	78		Ohio Public Service Pfd. (7)	108 1/4	109 1/4
Scovill Mfg. (1)	39 1/4	40 1/4		Pacific Power & Light Pfd. (7)	80	82
Singer Mfg. Co. (21)	350	354		Tennessee Elec. Power Pfd. (6)	58 1/2	60 1/2
Wilcox & Gibbs	22	24		Texas Power & Light Pfd. (7)	101 1/2	103 1/2
PUBLIC UTILITIES				TELEPHONE & TELEGRAPH		
Alabama Power Pfd. (7)	68	70		American Dist. Tel., N. J. (4)	115	118
Carolina Power & Light Pfd. (7)	90	93		Mountain States Tel. & Tel. (8)	147	150
Central Maine Power Pfd. (7)	72	75		Northwestern Bell Pfd. (6 1/2)	116 1/2	117 1/2
Columbus Ry. Pwr. & Lt. Pfd. (6)	106 1/2	108		Peninsular Telephone	16 1/2	18 1/2
Consumers Power Pfd. (3)	106	107		Southern New England Tel. (6)	150	152
Dayton Power & Light Pfd. (6)	110 1/2	....			

* Includes extras.

every important European currency when war actually breaks.

In such a setting one has the strongest possible ground for believing that the major portion of European capital now here will stay here indefinitely, that increasingly grave war fears will tend to maintain an inward flow of gold and that informed anticipation of imminent war would bring a frantic flight of European capital and vastly swell gold imports.

Actual outbreak of a major European war, of course, would present a wholly different problem. While individual Europeans would have no inducement to withdraw their American holdings, foreign governments would unquestionably commandeer the American investments of their nationals for conversion into gold or dollar credits—probably the latter, for there would be under war conditions a strong European demand for American goods and I find few realistic observers who believe that when the time comes this country can refrain from the urge to sell such goods.

On the favorable side, in view of the open war preparations being made and the open fears being publicly expressed, war will be much less of a surprise than it was in 1914 and hence less of a shock. Some shock, both of frightened liquidation and speculative selling in anticipation of necessary mobilization of European-owned securities, would be inevitable and probably would result in quick suspension of security markets for a temporary period as in 1914.

When and if such a shock comes, it will be, in the opinion of one prominent American banker, "an excellent chance to buy good stocks cheap."

As for the imminence of the next war, one observer's guess is about as good as another's. The common conviction is that it will come when Ger-

many is ready for it, and none knows precisely how ready Germany now is. Some believe firmly there will be at least five more years of peace. Against this, one can logically reason that the longer Germany waits the more prepared will be her opponents, for Britain, Russia and France are frantically building armaments and, combined, are capable of outbuilding Germany. Thus one may logically hold that if war is to come at all it may come sooner rather than later, with the strongest hope for an indefinite peace resting on the rapidly increasing military strength of those European nations whose objective is to preserve the status quo.

In no event is there going to be any fundamental monetary certainty in the world for some years to come. France will revalue and hope that the new parity will stick. Britain will continue to play the game of a managed currency as long as it suits her ends and as long as other nations in the sterling monetary bloc are willing to have her push their currencies around—a game, incidentally, which is no real test of the theory of a managed currency since Britain manages the pound only by the circumstance of having the gold franc and the gold dollar to operate against. Without some important nation on some kind of a gold standard, managed money would promptly lose most, if not all, of its charm.

Through it all gold will remain the prized metal, psychological foundation of public faith in money and credit; and no government now off gold, not even Britain, will dare state flatly that it does not intend some time, some how to go back to some kind of a workable gold standard.

And through it all, as far as this writer can see, the dollar is likely to remain "the best bet in the world."

T V A and the Utilities

(Continued from page 585)

except that it involved, in addition to transmission lines, distributing facilities. This contract has been held up pending the outcome of the Alabama Power suit, but it might be made the means of a clarifying test case in the event that it is made effective. The number of new suits involving T V A's activities that it is possible to bring is almost unlimited and, of one thing one can be certain, enough of them will be brought thoroughly to settle the question of whether the Government has the right to take the taxpayers' money from one section of the country and employ it in direct competition with tax-paying enterprises in another section.

On the strength of what has happened so far, hasty liquidation of public utility securities whether they be stocks or bonds, is clearly ill-advised. So far as governmental competition is concerned, the utilities are in almost as good a position as they were prior to the recent Supreme Court decision. In the meantime, the output of electric power moves to new record heights. Last year was 2% above the previous peak, made in 1929. So far this year, output has been running in the neighborhood of 11% better than the corresponding period of 1935. Sales of electrical appliances were exceptionally heavy last year and with the general improvement in business activity and purchasing power which is so clearly indicated for 1936, there is every likelihood that the sale of electrical appliances will again break records. This augurs well for a sustained demand for electric power and an improvement in utility revenues.

Further Gains Probable

In recent years the utilities have been rather slow in translating a greatly increased demand for their service into higher net income. There is nothing mysterious in the reasons for this; rates have come down, in some instances drastically, while costs and taxes have gone up—in many instances, drastically. More recently, however, the growing demand for electricity has been such that it has at last begun rapidly to offset the adverse factors. The amount available for public utility common stocks last year was materially in excess of the previous year's showing. This year there should be further gains, as gross revenues continue to out-distance rising costs.

Because of the economic soundness of

the base on which the public utility industry rests today, those that have invested their money in it would do well to ignore such temporary set-backs as the one brought about by the recent Supreme Court decision on T V A and await with patience the final adjudication of a comprehensive test.

Significant Foreign Events

(Continued from page 569)

In the past few months this vacillating policy has undergone a marked change. An independent European program based on mutual collaboration of the majority of countries belonging to this geographical group now begins to acquire a force and definite character of its own. The Little Entente, the Balkan group, the countries participating in the Rome Pact of 1935, turn their attention toward common interests. The specter of the former Austrian Empire again stalks abroad in the form of the Archduke Otto, who capitalizes the need of economic rehabilitation to further the interests of the Hapsburg Dynasty.

Germany as the defender of all German interests outside of her boundaries asserts herself with increasing boldness; while faith in the power of France, her prestige, her murky political complexion, her unstable financial position, has been rapidly diminishing. Previously, France has enacted the rôle of Lady Bountiful, lavishly distributing franc loans to pacify her unruly stepchildren in Central Europe. Now the Central European states are casting avid side-glances at Germany.

Coincident with this fickleness of foreign policy is the significant fact that Italy's attention has been diverted by her colonial adventure—her military forces on the Continent considerably reduced. Inopportune "heart failure" of Condylis, the white hope of Mussolini in Greece, severed another link in the chain binding the Central European states to the Higher Powers. Since Greece needs money and the only possibility of a loan is in either Rome or London, Mussolini's funeral oration for the ill-fated Condylis was confined to a blustering barrage of new warnings to the Greeks against prostituting themselves for British gold.

Austria, since the Versailles Treaty, has occupied the focal point in the Central European situation. The first important step in the formulation of the new Austrian foreign policy was the visit of Chancellor Schuschnigg to Prague. Bound by the Rome Pacts of 1935, the Chancellor could offer no

more tempting bait than the renewal of the Czecho-slovakian Trade Treaty without consulting Italy and Hungary, the other two signatories to the Pact. The Czecho-slovakian Government nibbled at the bait of friendship, promised closer economic collaboration with Austria.

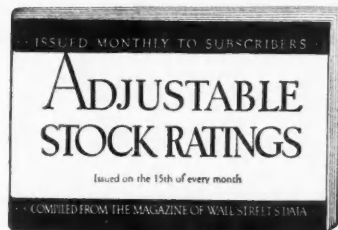
From these pourparlers evolved a broader plan providing for the eventual formation of an economic bloc composed of the group of States extending from the Danube basin to the Baltic, lying between Germany and Soviet Russia. Strangely enough, in this ephemeral scheme no mention is made of Poland; probably on the supposition that Poland has already sold her soul to Germany. Serious doubts arise as to the possibility of curtailing trade with Germany, which represents the natural market for Central European raw material commodities, also to what extent England could absorb the excess supplies of Central European agricultural products without jeopardizing her commercial relations with the Dominions.

On the other hand the somewhat doubtful attitude of France toward Central Europe is enlightening. The great political friendship which France has manifested toward the majority of Central European states—a double-faced friendship with a strong background of economic interest—has failed to produce the commercial profits expected. This has been partly due to the natural competition of Germany in the direct purchase of raw materials in exchange for manufactured exports, and partly to the lack of enterprise by French commercial interests.

France fears the growing independence of Central Europe—first because it would lessen the guarantee of military support against Germany, and second the formation of an economic bloc in this area would curtail French export trade in formerly promising sales territories. In the last analysis, it looks as if the Central European states will go to the highest bidder. France and Italy are financially unable to extend the much sought after loans; England seems reluctant to do so; whereas Germany, by virtue of her natural economic affinity with eastern and central Europe, is in a position to establish a system of commercial credits which may very possibly turn central European political sentiment in her favor.

The German press adopts a tone of utter indifference, declaring that the question of Austria's independence is a matter which concerns Austria alone; but that racial unity with Germany will direct the course of Austrian evolution. Faith is expressed in the inevitability of this factor, and in its final triumph.

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New York Central

(Continued from page 581)

distance of the figures for 1927, 1928 and 1931, which were regarded at that time as quite satisfactory.

While operating expenses will be increased this year by a heavier maintenance of equipment program, and by the setting up of funds to meet the requirements of the Social Security and Railroad Retirement acts, the management has learned during the recent lean years many ways of reducing regular operating expenses. Then, too, net income will be helped by the steady reduction in the debt and interest charges that is contemplated.

No Government Ownership

Owners of New York Central securities will be glad to read the authoritative statement that at no time during the depression did its president, Frederick E. Williamson, talk about giving up and letting the property go to the government. He is a firmer believer in New York Central today than ever before, being fully confident of its future, under anything like normal conditions for the railroads of this country. This is also the attitude of his associate officers and directors. Among the latter are Harold S. Vanderbilt, Jackson E. Reynolds, president of the First National Bank of New York, and Myron C. Taylor, chairman of the United States Steel Corp.

New York Central serves agricultural and industrial areas, large cities and good-sized towns, all the way from New York City to Chicago, Cincinnati and St. Louis. There is not much in the way of freight that is not found on its trains running over its famous "Water Level Route."

In 1934 (figures are not available for 1935 as yet), New York Central handled 100,115,111 tons of revenue freight. Of this amount, products of mines contributed 60,024,911 tons, manufactures and miscellaneous 26,172,205 tons and products of agriculture 7,233,299 tons. Car load freight amounted to 97,997,888 tons, and less-than-car load freight 2,117,233 tons, together making the grand total already given. There were substantial increases in 1935 over 1934 in all important freight classifications. If the business improves this year over last year, as expected, there will be a still further expansion.

For several months freight traffic of this system has increased materially by reason of the big comeback in the operations of the heavy industries. As corresponding improvement takes place in

many other lines, its freight traffic will expand accordingly.

The superiority of New York Central's passenger service from New York to the leading cities in the Central West has been known for years. The 20th Century heads its fleet of fast and luxurious passenger trains and makes the run between New York and Chicago in 16½ hours.

Because of the strategical position of New York Central geographically, the improvement in earnings in recent months and the favorable outlook, its securities have recently experienced considerable recovery. With a better understanding of the facts as outlined in this article, they should experience more.

As I See It

(Continued from page 553)

which took place during this time?

The distribution problem is the greatest challenge in our economic system. It is time that it was recognized as such and met by that same spirit of enterprise which gave us unbounded and efficient production. Savings in production costs have not been passed on to the ultimate consumer because of ever mounting distributing costs. No problem holds greater reward in its solution—not only to those who lead in uncovering wider markets, but to all people. On the surface there is every appearance of excessive productive capacity. It would disappear overnight if a proper distribution system was developed. Social unrest would disappear as greater and greater numbers shared in the material comforts. With the problem of material existence simplified, the genius of man could turn to other channels—to the building of a better moral and spiritual fiber that would lead to the truly broader life, and genuine civilization.

Happening in Washington

(Continued from page 557)

for the hog culturists. They are spared the tax and will get benefits—also are getting higher prices.

FHA weak spot has been reinforced by President's intervention. All hopes of getting private capital into mortgage discount associations contemplated by the National Housing Act having been frustrated, the RFC announces that its mortgage company will act as a mortgage bank for FHA-insured home loans. Simultaneously

FHA gleefully notified interested financial institutions (including banks) that mortgagees passing their liens on to the RFC would be allowed to retain, after the first two installments, ½ per cent on principal account, in addition to the half per cent servicing charge. The mortgagee gets back the finance company's purchase discount from the first two payments, and it gets all of the interest it collects on the unpaid balance provided the mortgage yields the finance company 4½ per cent net. With the rate to the borrower thus fixed at 5 per cent and assurances from RFC that its finance company can have all the money it needs, the FHA discounting problem seems to be solved, and the glut in the portfolios of the original lenders eliminated. A marked expansion of FHA sponsored home loans is regarded as certain. May have a kick-back on the bond market.

Budgetary vexations will not, however, be permitted to interfere with liberal subsidies to municipalities for slum clearing low-cost housing for persons who can not own their own homes or obtain decent quarters by private renting. Senator Wagner's bill to that end is expected to pass, but initial proportions will not exceed \$50,000,000 a year. "Main thing is to get the roots planted in the Federal Treasury—the tree will look after itself." Which is another reminder that redistribution of income by way of taxation is to be perpetual. The camel's head is under the tent.

Legislative prospects favor Patman chain store—really an anti-trust reinforcement, give Walsh bill a good chance, and a slim chance for Mahony bill (Federal licenses for all corporations in interstate business on condition that they can qualify according to New Deal lights). President reported to be let-'em-alone except Walsh bill, which he favors but will not push. White House view is that scoldings will be enough for business between now and election—and they no longer hurt.

Curtis, quarter-breed Indian, gone to the happy hunting grounds, was a living reminder of the temporal proximity of our frontier past. As a small boy he rode at night through a cordon of hostile Cheyennes to summon the Long Knives to the rescue of his tribe. Enamored of civilization he remained in Topeka, after he had seen the cavalry thundering to the rescue of his people. Later came the tribe to repatriate him. At midnight of the first day's return march his Indian grandmother awakened him to implore him "to go white" for good, and almost literally drove him out into the night—and to fame.

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